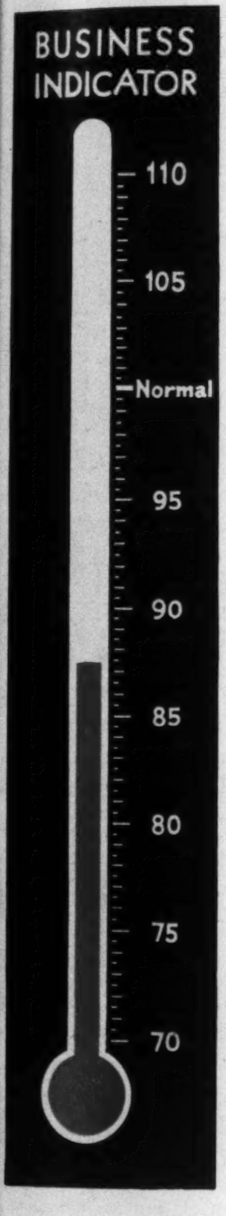
OCT 20 1930

OCT 22, 1930

THE BUSINESS WEEK

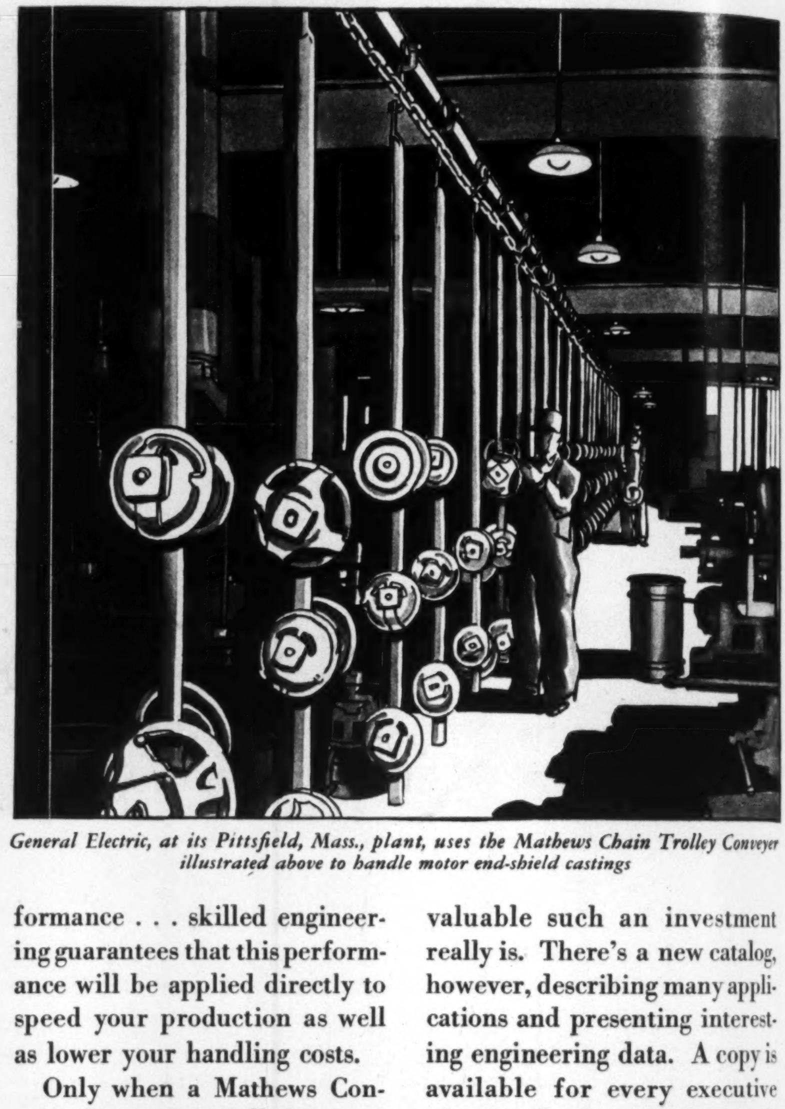


Business is bearing up as well as can be expected under the weight of the wave of uncontrolled deflation which financial fatalism and lack of business statesmanship in this country let loose upon the world in the third quarter. . . . There is a marked shortage of bear food in this week's crop of statistics, and signs multiply indicating that business as a whole is not getting worse and is making definite improvement—too slow to warrant any high hopes of quick recovery this year, but steady enough to justify those looking and planning ahead for next year. . . . Our index has risen again, for the fifth consecutive week, from 87.1% to 87.5% of normal, reflecting chiefly continued expansion in general trade and a level of building sustained above seasonal expectations. . . . Increased consumption of electric power in manufacturing during September, with some gain in employment and payrolls, indicates a fair seasonal resumption of industrial activity. . . . A further rise in foreign trade in September, with record exports of cotton, offers some encouragement in face of increased uncertainties abroad. Sharply rising orders for machine tools for the second consecutive month show that some industries, at least, think these States still have a future, and are unwilling to join the procession of economic crustaceans who are trying to teach the country to walk backward. . . . Bears can be—and are being—tamed, but what can be done with the crabs?

15 CENTS McGRAW-HILL PUBLISHING CO., INC.

ONE INVESTMENT

you will never have cause to regret . . . .



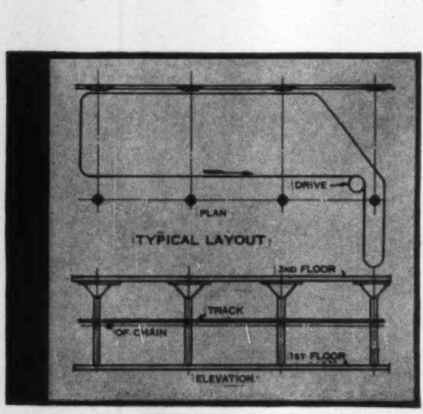
General Electric, at its Pittsfield, Mass., plant, uses the Mathews Chain Trolley Conveyer illustrated above to handle motor end-shield castings

"WHITE ELEPHANTS" . . . equipment that has failed to live up to the expectations of the purchaser . . . can be spotted in almost every plant, but never yet has a Mathews Conveyer System been put into that classification . . . for a Mathews is *one investment you will never have cause to regret.*

Back of the spinning rollers, the quietly moving belts, pallets and trolleys, there is an experienced staff of engineers . . . a group of conveyer experts that combine these various units in countless ways to produce smoothly-functioning systems, capable of carrying their loads quickly, economically, safely.

The exceptionally modern design and sturdy construction of Mathews equipment play a vital part in its unusual performance . . . skilled engineering guarantees that this performance will be applied directly to speed your production as well as lower your handling costs.

Only when a Mathews Conveyer System is installed in your plant, will you fully realize how valuable such an investment really is. There's a new catalog, however, describing many applications and presenting interesting engineering data. A copy is available for every executive who may be interested in modern handling methods.



MATHEWS

CONVEYER SYSTEMS

Mathews Conveyer Company . . 160 Tenth Street . . Ellwood City, Pa.

Birmingham . . Boston . . Buffalo . . Charlotte . . Chicago . . Cleveland . . Dallas
Denver . . Detroit . . Houston . . Los Angeles . . Milwaukee . . Minneapolis . . New
Orleans . . New York . . Philadelphia . . Pittsburgh . . St. Louis . . Salt Lake City
San Francisco . . Seattle . . Mathews Conveyer Company, Limited, Port Hope, Ontario

THE BUSINESS WEEK (with which is combined The Magazine of Business). Oct. 22, 1930. No. 59. Published weekly by McGraw-Hill Publishing Company, Inc., Tenth Avenue at Thirty-Sixth Street, New York, N. Y. James H. McGraw, Chairman of the Board; Malcolm Muir, President; James H. McGraw, Jr., Vice-President & Treasurer; C. H. Thompson, Secretary. $5.00 per year, 15c per copy. Entered as second-class matter February 15, 1930, at the Post Office at New York, N. Y., under the act of March 3, 1879. Printed in U. S. A. Copyright 1930 by McGraw-Hill Publishing Company, Inc.

What's In This Issue —And Why

Reciprocal Buying

Investigation is confined to railroads, but all business is concerned in the ethical and legal questions raised by the I. C. C.'s inquiry into the widespread practice of reciprocal buying—pushed, evidence shows, to shocking extremes. *(page 5)*

Unemployment

Winter approaches and the lot of the unemployed is giving serious concern to thoughtful leaders—Progressive communities—Detroit, Indianapolis, Cincinnati among them—are working out helpful plans. *(page 6)*

Chain Stores

Sales by 52 chains show a slight decline for September. Principal losses are by four chains; take them out of the picture, and 48 remaining chains are even with September, 1929. *(page 15)*

Gold

What is this gold question? Is it the root of all our business ills? Experts differ as to whether there is a growing scarcity; they agree its concentration in two countries is part of the cause of world depression. *(page 26)*

Commodities

Prices of raw materials rule steadier, though little higher, the exception being grain, depressed by statistics indicating larger world supplies than expected. *(page 13)*

Automobiles

Motor car manufacturers wonder if an upturn has arrived; estimates of September production seem to indicate better than seasonal demand. *(page 22)*

Telephones

I. T. & T. and Ericsson, competing vigorously for telephone business of the world, are faced with a third big competitor as Theodore Gary enlists the aid of Transamerica, forming General Telephone & Electric Corp. *(page 11)*

Textiles

Group action in the textile industry has changed the gloomy picture to a more hopeful one. Most lines are holding their own; some are definitely improving. *(page 24)*

Lumber

Lumbermen in the Northwest are experimenting with a firm price policy, and like it so far. *(page 22)*

Canada

Manufacturers exploiting consumers behind Canada's new tariff wall would be penalized, the new government warned—and meant it, it seems, for the tariff on glass has been revoked. *(page 10)*

Empire Trade

Bennett of Canada proposes preferential trade within a tariff wall; Britain's Labor government proposes quotas. Conservatives are willing to force an election on the issue of a tariff on foods. *(page 9)*

Soviets

Taking exports of lumber as a clue, British observers judge disappointing revenues have forced the Soviets to dump to get cash to pay bills. Meanwhile Canada bars Russian imports. *(page 28)*

Shale

Tempest in a teapot, not a Teapot Dome, is oil men's comment on the to-do over shale lands leases. It must be the principle, it can't be the money, for shale lands, in light of 1930 oil chemistry and geology, are valueless. *(page 8)*

Oil

Conservationists, operating oil men, cheer together over the Oklahoma Supreme Court's decision upholding the states restriction of output. *(page 8)*

ECONOMICS OF THE ELECTRICAL INDUSTRY

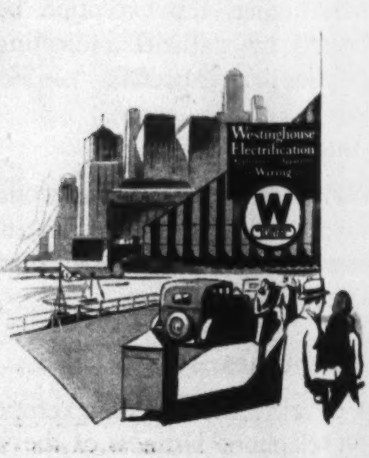
The SKYSCRAPER

is so much
Steel
and Stone
without
Electricity

The cold, dark mass gradually rearing its head mountain-high on a busy down-town corner is a building — an impressive tribute to modern construction skill. But it cannot become a revenue-producing property — a busy office, a theatre, or a luxurious hotel — until electricity has made it so. It is electricity that gives a building *life*.

Because of electricity, water flows hundreds of feet above surrounding levels, heat and fresh air circulate to inside, windowless rooms. On dark nights and sullen days electricity scatters sunshine throughout every nook and corner. Swift automatic electric elevators whisk you up or down in the twinkling of an eye, yet with a barely perceptible sense of motion.

In every phase of building and building equipment, Westinghouse is co-operating with architects and construction engineers to make steel and stone more enduring — and more friendly. Westinghouse responsibility runs the entire course, including lighting, motors, switchboard panels, automatic elevators, arc welding equipment, appliances, and controls of every sort.



Tune in the Westinghouse Salute over WJZ and the coast-to-coast N. B. C. network, every Tuesday evening.

Westinghouse

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending October 18, 1930

Reciprocal Buying Abuses Shown By I.C.C. Hearings

Railroads Secretly Delighted at Revelations, Believing Publicity Will Curb Shippers' Abuses

INTERSTATE COMMERCE COMMISSION now has under way in Chicago its first big inquiry into reciprocal buying. The commission seeks to find out to what extent railroad purchases are used to attract traffic, to what extent shippers use traffic to force purchases, and what are the effects on the roads of this "reciprocity."

For 13 months 40 I.C.C. agents have been searching railroad files, digging out correspondence on such deals. Mimeographed copies of many hundreds of letters, memos, and wires have been made. Purchasing agents, traffic officers, and general executives of railroads are now being called in, one at a time, shown these exhibits, and questioned as to details of, and motives behind, transactions. Chicago & North Western was questioned first. It took more than a week. Other main western railroads are following. Hearings will be drawn out.

All Business Involved

The issue is one which all business men face: To what extent is back-scratching defensible as good business and sound economics? When is it ethical? When unethical?

Increasing pressure of competition, both between industries and between railroads, has brought about a marked development of reciprocal buying in the last 5 years, railroad men testify. Though it frequently is a good and proper business practice, evils and abuses exist. They range from small favors to friends, up to out-and-out rackets.

Such evils and abuses are not confined to transactions in which railroads are one party. They are found all through business today. The abuses breed favoritism, stifle competition, discourage initiative, and dull executives' sense of right and wrong. They are contributing causes to the present depression and stumbling blocks in the path out of it. Real prosperity is not built on rackets.

The chain of events leading up to the present investigation began almost 2 years ago. Swift & Co. sent a letter Jan. 16, 1929, to top executives of principal railroads. It began: "The Swift family owns the Mechanical Manufacturing Co.——." It went on to explain that this company, manufacturer of packing-house machinery, had decided to make draft gears—shock absorbers used on all freight cars; around $60 a car. "We expect our railroad friends," the letter continued, "to use these articles on a reciprocity basis, with the understanding that they are competitively priced and second to none." The letter was signed "Swift & Co., per W. A. M.," initials of a traffic man.

The letter was published in *Railway Age*. The Federal Trade Commission became interested in a case still pending. Testimony indicated that, while mechanical officers of railroads rated this particular draft gear as of questionable merit and generally recommended against it, substantial sales had nevertheless been made. Swift traffic is large.

Swift Drops Line

Mechanical Manufacturing Co's draft gear business failed to survive the publicity. Manufacture of these devices has been discontinued.

Armour & Co. was named in a similar case, also pending. It appears that important Armour officials were given about one-third of the stock of the Waugh Equipment Co., likewise manufacturer of draft gears, but better ones. Since enlisting Armour support, the Waugh company has built up one of the largest draft gear businesses. It has survived publicity very nicely.

Officials of various railroads have been asked about relations with Union Draft Gear Co., of which J. R. Cardwell, a big Grigsby-Grunow stockholder, is president. Cardwell, it appears, controls the Grigsby-Grunow traffic. The Milwaukee Road was favored. The North Western got none. Purchase of 500 Cardwell draft gears by North Western and routing of some Grigsby-Grunow traffic over North Western lines during the same month was probed.

Letters placed on exhibit indicated that Forsyth Draft Gear Corp., in soliciting business, stressed its list of stockholders, including many of the larger shippers in the Chicago area.

Big Names Dragged In

Oil, lumber, paint, ice, car seats, coal, and cement are some of the other commodities involved in reciprocity cases being investigated. Names of a number of the biggest corporations of the country have already been introduced into the record.

It is the general policy of railroads, so testimony shows, to purchase from friends, that is, from shippers on the line, when price, quality, and service are identical. To this sound business practice no one objects.

But when, as happens, the friend is given an opportunity to meet a low bid without the low bidder being notified, it is a different matter. Examiners are investigating cases where friends appear to have received business even though their prices were higher. There is plenty of correspondence from shippers containing open threats of placing traffic elsewhere if purchase orders be not forthcoming.

Some observers contend that if an industrial concern secures railroad purchase orders at an excessive price by swinging a traffic club, then the amount of such excess is in fact a rebate and as such would make officers both of the railroad and of the company criminally liable. Courts have not ruled.

Buying Traffic Control

A similar question is involved where smaller companies, lacking large traffic tonnages, buy (for so many dollars a car) the privilege of directing traffic of some large shipper and use it as a "sales argument" in getting railroad business. This is not uncommon.

Charles Long, a paint manufacturer,

got the right to direct traffic of Carnation Milk Company. The Santa Fe resisted the pressure, refused to buy paint, lost its Carnation Milk traffic originating near Louisville.

In testifying, railroad men are giving information rather reluctantly. They do not care to appear to be squealing on shippers whose ill will would be expensive.

Nuisance to Railroads

Privately, however, railroad men are glad to have reciprocal buying exposed. It is an everpresent nuisance. It is 100% waste effort—all the time and energy spent on it does not create one ton of added traffic; all it does is send some of it by more roundabout and costly routes. The fact that an inquiry is being made puts railroad men in a stronger position to combat shippers' demands. Fear of publicity prevents many things. In cases such as this it may prove itself to be the one most potent remedy.

Railroad men know that reciprocal buying, carried to the extent that now exists, has a bad effect on the morale of their organizations. Mechanical officers who would like to render frank, unbiassed opinions, and purchasing officers who would prefer to do their work in a thorough businesslike way, are continually harassed by traffic departments or officers higher up shouting "Watch out" where a big shipper is involved.

Only Seasonal Gains In Employment

SEPTEMBER employment figures just released by the U. S. Bureau of Labor Statistics show an increase of 1.0% in number employed and 1.4% in payroll totals over August for the 13 industrial groups covered. The apparent increase in employment was made possible by strictly seasonal increases in 3 groups—canning and preserving, coal mining and retail trade. Employment in the other 9 groups declined from August totals.

Of the 54 industries included in the manufacturing group, 24 registered increases in September but the group total showed fractional decreases in both employment and payrolls. Among the manufacturing groups, substantial increases were made in food, textiles, chemicals and tobacco products. New England, Middle Atlantic and South Atlantic states had more employment in September than in August; the 6 remaining geographical divisions reported decreases.

Wide World

AUTOMOBILE MEN CONFER ON UNEMPLOYMENT

Alvan Macauley, president of Packard Motors, and J. B. Graham, president of Graham Brothers, were among the automotive leaders who conferred with Mayor Murphy of Detroit on the unemployment problem

Industry Takes a Fresh Grip On the Unemployment Problem

Detroit Reports Results From Job-Finding Program; Other Cities Speed Up Efforts to Forestall Winter

REALIZING that, if winter comes without better organization to take care of the year's unemployed, suffering cannot be far behind, leading industrial centers are putting new energy into plans to take care of their jobless; national and sectional conferences of business interests are pushing the unemployment problem into a new prominence in their discussions.

Typical of the seasonal acceleration is the rate at which Detroit's general committee on stabilization, organized some 10 months ago, has swung into action following a new call issued by the city's recently elected mayor, Frank Murphy, as one of his first official acts.

Definite results are being shown after only a few weeks' work. Of the 125,000 believed to be out of work in the Detroit area, about 81,000 have been registered; 11,000 reporting themselves in need of immediate relief—3,500 of them with families of 7 or more children to support—are being supplied by the Community Fund and the Department of Public Welfare. Leading business men, called into conference, have agreed to make every possible readjustment of working schedules to provide employment for more men, one firm cutting a 9-hour day to 8 hours, thereby adding 900 to its payroll, typical of measures by which it is hoped to make 25,000 more jobs in the city. A central employment bureau, coordinating the activities of all Detroit job agencies, public and private, and handling labor requirements of all city departments, is placing 500 workers a day and urging all local industries to fill their jobs through its offices.

Indianapolis has been laying a fact-finding foundation to a remedial program, gathering reports from business concerns to provide the basis of studies of seasonal variations in labor demand, old-age problems, technological unemployment, and other pertinent factors. First recommendations call for coordination of employment bureaus, rotation of employees, shorter working weeks, centralization of public purchasing.

Cincinnati is emphasizing an educational campaign to interest management in unemployment, in accepting its responsibility for the continued welfare of working forces. Other cities are also rapidly turning from talk to action.

Conventions Prescribe

Conventions and conferences are largely confined to talk, but they are sorting out the talk to emphasize the most promising leads to action.

The American Federation of Labor, counting more than $1,200 millions lost in wages during the present unemployment crisis, has been debating at its annual convention in Boston the unemployment program of its executive council. Major planks include: a national system of unemployment exchanges; more comprehensive unemployment statistics; reduction of hours of labor and extension of the 5-day week; formation of a national council to achieve economic equilibrium; gathering of statistics to aid in rationalizing production; acceleration of public works in times of depression; vocation training programs to fit workers for more than one job; a special study of technological unemployment by the President.

The federation blames recurrent depressions on failure of management to adjust production to consumption. It reports that 3,700,000 workers—not including office and farm labor—have been out of work; that only half as many firms cut wages this year as in 1924. Increased management efficiency creating technological unemployment, is blamed for much distress. A. F. of L. illustrations: Industries on which 40% of the country's wage earners depend for support employed 900,000 fewer workers in 1929 than in 1919; with 546,000 fewer workers, factory output last year was 42% greater than in 1919; the same 10-year period ended with railroads handling 7% more business with 243,000 fewer employees.

Some 500,000 members of the A. F. of L. have been relieved from paying dues because they are out of work or on strike. Paid-up members increased 28,000 during the year to total 2,961,000.

Debate Insurance

Unemployment insurance aroused controversy at Boston. A number of unions offered resolutions favoring various types of insurance, but many influential leaders of the federation remain opposed.

An unemployment discussion held in New York last week under the auspices of the National Association of Manufacturers brought to light no new relief mechanisms but heard from representatives of industries and communities on favorable results obtained from more careful and better organized application of old ones.

Keeps Jobs Going

The highly successful plan of S. G. Johnson & Sons Co. of Racine, Wis., makers of floor polishes and related products, was described by Arthur Stoffel. This organization has had group insurance and profit-sharing since 1917. About 8 years ago an unemployment reserve fund was started by equal contributions of employees and company; regular employees were insured a full year's work or compensation from this fund.

The company made an aggressive effort to stabilize its business by developing new merchandising methods and new products, by training employees to handle several jobs in the plant. Results: Business for the first half of 1930 was equal to that of the same period in 1929; to date, after 8 years of operation, not a single employee has been laid off for lack of work, not a single dollar has been paid from the reserve fund.

Dr. Royal S. Meeker, former U. S. Labor Commissioner and recently with the International Labor Bureau, told the New York conference that, contrary to many opinions, unemployment is a government problem; that only when the entire country—in fact the entire world—is effectively organized against unemployment can substantial progress be made; that, for this result, government cooperation is essential. Dr. Meeker believes unemployment can never be entirely eliminated and that unemployment insurance, a wage reserve, or similar plan, called by whatever name, is the only means of alleviating the distress which follows involuntary unemployment.

Urge Government Control

A Spring Valley, N. Y., conference of the Women's Trade Union League heard Dr. George Mitchell and Professor R. G. Tugwell of Columbia University, who suggested government control of prices and supervision of surplus capital investment as the most promising solution of the unemployment problem which, they believe, is caused chiefly by excess mechanization costs which lead to higher prices and so defeat the purpose of "Fordizing." Other speakers called the new industrialism with its emphasis on machines hostile

Pacific & Atlantic

THEY WANT WORK

To alleviate unemployment, the city of Cleveland created 2,000 jobs in the park department. Some 12,000 applicants swamped the temporary employment office established in the City Hall to organized labor, theatening to its existence. Dr. Persons of the Taylor Society, more optimistic, asserted that new ideas of labor relationships will follow assimilation of new ideas in production technique.

At Rochester, N. Y., Governor Roosevelt's committee on the stabilization of industry was urged by a group of economists and experts in state and municipal government: to examine city construction programs to find projects which can be started at once; to establish local employment clearing houses to obtain adequate information about employment trends; to speed up public works projects; to develop 5-year city planning programs; to repeal the 18th Amendment to revive industries which depend upon light wines and beer.

Cheap Oil Leaves Shale Lands Valuable Only to Posterity

WHETHER or not the New York *World's* syndicated oil shale scandal has historical basis, it is of vital interest only to those named in the charges. A few years ago when early development of shales was promised and there was a big boom for land patents from the public domain, skulduggery revealed in this quarter might have eclipsed Teapot Dome in popular imagination. Today the shale lands are almost worthless save for grazing. While the case may cause some official worries and will make a job for the Department of Justice, it means nothing in a business way.

Daily instalments by Ralph S. Kelley, who tendered his resignation as chief of the field division of the General Land Office, purport to expose oil companies having sought by official connivance the control of oil shale properties valued at $40 billions or more. This huge figure is based simply on an estimated capacity times a price of $1 per barrel. A similar computation might be made of the amount of gold in the sea. The trouble is that, pending considerable development in retort processes, it would cost something like $3 per barrel to bring oil out of the shale. Oil-well capacity producing at 50¢ is ample for centuries of use. On top of that, oil can be made from coal by the hydrogenation process at prices claimed as low as $1. If shale exploitation awaits the exhaustion of oil and coal, several centuries will elapse before it becomes a commercial oil source. Oil companies are not looking that far ahead.

Most of Mr. Kelley's charges involve hangovers from former administrations. Since Ray Lyman Wilbur became Secretary of the Interior, only about 60 applications for patents on shale oil claims have been forwarded, while 5700 reverted to the government because nobody wanted them as a gift. Many thousands of claims were entered in past decades when conservationists thought the nation's oil supply was fast running out and shales were the only reserves in sight. Since then the many discoveries of new oil fields plus the tapping of untold resources at great depths have so depleted shale prospects that few have bothered to make their assessment expenditures on the properties. The Interior Department is continuing its conservation policies with the shales as with other oil domain but the shale lands have no surface use except for very sparse grazing.

Oil Conservation Wins Again in Oklahoma

FURTHER support to the Oklahoma oil conservation has come from the State Supreme Court's decision this week, sustaining the lower court which, in the Champlin case, held the law constitutional (*The Business Week,* Oct. 15). The C. C. Julian Oil & Royalties Co., which had stood almost alone in opposing production curtailment, wanted to drop its complaint but the court decided to give an answer after having spent so much time in developing the facts. On these facts the court has denied the Julian plea for a writ of prohibition to prevent enforcement of output restriction by the state Corporation Commission. Curtailment will be extended and tightened, output in the Oklahoma City field being reduced from 5% to 2½% of potential. Operating schedules are being perfected to allow for new wells or for present producers without pipe line connections. Most Oklahoma operators welcome the continuance of prorating as the present market is being fully supplied and storage capacity is largely filled. A temporary extension of restriction orders has been made to Oct. 20 pending the outcome of commission hearings.

International News

EXCHANGE GREETINGS

Richard Whitney (right), president of the New York Stock Exchange, in Chicago to address the Illinois Chamber of Commerce, is met by (left to right) Paul H. Davis, Harvey Hill, and Charles T. Atkinson of the Chicago Exchange

International News

THEY FEAR JAPANESE INROADS IN CHINESE MARKETS

Britain has sent 7 representatives of the cotton, wool, and engineering industries to study trade needs in China. From the left: Mr. Edmonson, Sir Ernest Thompson, chairman of the Executive Joint Committee of the Cotton Trade Organization and leader of the mission, Lady Thompson, Mr. Gellitt, Overseas Minister of Trade of the mission, and Mr. Tullins, Secretary of Trade of the mission

Real Problem at London Is Empire Industrialization

Imperial Conference, Debating Trade Preferences, Sidesteps Deeper Economic Issues

By Special Cable to The Business Week

THE lion is shrewd. It isn't often that he is tripped. When he is, his comeback usually makes up for his slip.

Britain was excited this week over the comeback of the imperial lion. Excited, because it was made in an unexpected manner.

When Premier Bennett of Canada at last week's sessions of the Imperial Conference launched his defiant proposals that all members of the empire surround themselves with a tariff wall within which preferential treatment—not free trade—should be provided to promote empire business, all Britain, but Labor in particular, was taken by surprise. Of the many proposed solutions to the problem, the majority of the British public had, up to the opening of the conference, divided its interest between two: Labor's proposal for a system of import boards which would give preference to empire trade, and the popular Rothermere-Beaverbrook plan for free trade within an empire surrounded by a tariff wall.

The comeback which stirred London was Labor's introduction of a quota system to govern intra-empire trade. Dominion premiers applied the proposal to wheat. Under this plan, Britain, through a government purchasing board, would increase her purchases from the dominions in return for reciprocal dominion preferences on British exports. To the tariff preference which Britain now enjoys in all the dominions, this would add a steady demand for British-made specialties. To the dominions, it would mean an enlarged London market for produce.

There is double significance in the proposal. Though the quota system assumes the existence of government import boards not unlike Labor's original scheme, the proposal is strikingly like a suggestion which has come from Stanley Baldwin and his Conservative party and which Prime Minister MacDonald has heretofore denounced as a move to better the Conservatives' hold on home politicians. On the other hand, any quota system which would follow the course proposed in the first discussions at the conference would be a distinct concession to the dominions because of the volume of British purchases which would be turned to them from other foreign sources. Labor was forced to this change of policy to meet the united demands of the dominion for a greater share of Britain's orders if they are to increase their purchases in Great Britain.

Food a Stumbling Block

In the meantime, Britons are weighing the pros and cons of a system of empire preferential tariffs. In the debates, one problem has constantly been pushed ahead of all others. That is the fact that the dominions, being still largely agricultural, demand the inclusion of foodstuffs in any tariff which is to benefit them. Britain at large, being primarily industrial, hesitates to accept this inclusion through fear that it will bring higher living costs and, in turn, higher production costs which would weaken the position of British products in world competition. This fear of the Labor government led to the proposal for quota imports. The Conservatives, anticipating a general election, are ready to include foodstuffs in the tariff and count on promises of larger dominion trade to sway the public. As anticipated, the issue between Britain and the dominions is already becoming the most immediate political issue within Britain proper.

Empire Trade Overrated?

Despite the resolutions passed this week by the Federation of British Industries and by the Manchester Chamber of Commerce favoring the Bennett tariff preference scheme, some business men are questioning whether empire trade is really of basic importance to Britain, to the dominions, to the economic unity of the empire as a whole. Nearly two-thirds of England's exports are sold in world markets outside the empire. With few exceptions, foreign, not empire, markets are the principal outlets for dominion products. Intra-empire preferences doubtless would tend to increase intra-empire exchange and, if extended to foodstuffs, could effect some important single diversions. But intra-empire trade gains through artificially forced diversions would risk non-empire losses from counter-measures.

Not Economic Unit

What is standing out in striking relief to thoughtful students of the problem is the fact that the Commonwealth, an empire formed by haphazard conquest, cannot logically be expected to form itself into a natural self-sufficient economic unit. Instead, each component as it realizes its own economic potentialiteis, forms non-empire interests according to economic circumstances and relative advantages. Already at the root of many difficulties is the increasing competitive importance of the colonies as they develop industry. This will increase as white populations grow and native populations reach greater purchasing power, and as local raw material resources, existing or potential, are developed. Trade preferences cannot check this trend, while the more colonial industrialization progresses, the more England will lose its original significance as the industrial hub of the Empire; finally, the more British unemployment and social costs are increased, the more the nation's competitive power is weakened.

Just here certain economists draw a distinction between industries which the colonies can develop competitively against the mother country—thus adding to its idle plants and to unemployment—and those industries which the colonies cannot economically develop because their domestic markets afford too narrow outlets to support their growth.

Where Dominions Compete

In the first-named group which the colonies are already developing and may be expected to expand, are staple commodities, especially textiles. Here Britain, forced to buy raw materials abroad and export the finished product to distant markets, is already at a tremendous disadvantage. In the second class are specialty and technical products such as automobiles and machinery, where the essential raw materials are at home or close at hand.

What is even more essential to Britain than to the colonial trade is participation in colonial industrialization, not through building new competing factories in the colonies, but by exporting to other parts of the empire existing British industries which would find better opportunities for industrial development there. In making this proposal, protagonists of the plan emphasize the fact that they mean actual transfer of England's idle physical equipment, and emigration of the present surplus of experienced executives and qualified labor accompanied by the highly essential British capital.

Exportable Industries

At the same time, it will be necessary to develop in England those specialty industries which the colonies are unable to sustain but for whose products the colonies afford ready market outlets. Obviously, those industries most suited for export to the colonies are those already most depressed. The specialty industries already are showing sustained prosperity, indicate the part they may play in the development of this plan. As between the over-industrialized mother country and the under-industrialized empire, trade preferences alone cannot restore the prosperity of the former or hinder the industrialization of the latter. Empire industrialization is needed. Before it is concluded, the imperial conference may find it profitable to thrash out these problems.

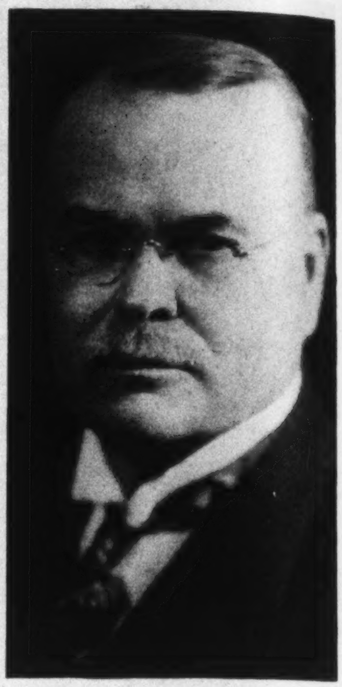
Canada Applies Penalty For Tariff Profiteering

Special Correspondence, Ottawa

ANTI-PROTECTIONISTS in Canada's Parliament ridiculed the provision in the recent emergency tariff legislation which gave the government authority to cancel duty increases if Canadians took advantage of them to raise prices. They said it would not work. But Canadian glass interests have found that it does.

Heavy duties on window glass, intended to re-establish glass manufacture in the Dominion by recovering the market lost to the powerful Belgian cartel, went into the new tariff on the promise of Canadian glass makers to resume operations, add to the job-list for the benefit of Canada's unemployed.

But Canada's potential glass manufacturers are also importers, had brought large stocks of glass into the Dominion under the old tariff rates. Now, says Ottawa, they are combining with other importers to raise prices on these stocks, hedging on their promises to manufacture. So Ottawa has acted swiftly, canceled the tariff increases, put teeth into its warning that the government will not tolerate exploitation of its tariff policy for undue profit.



THEODORE GARY

September Failures Up But Trend is Downward

BUSINESS mortality figures set a new record for September, both for insolvencies and amount of liabilities. According to Dun, failures numbered 1,963, or 25% above those of a year ago, while liabilities of $46,947,021 exceeded those of September, 1929, by 37.6%. The average liabilities per failure, while somewhat less than those of August and the peak month of June, were 10% to 15% above that of September, 1928 and 1929. The year has established new highs in business failures both as to number and indebtedness. Even the first quarter ranks among the highest on record. Third quarter failures exceed those of last year by 16%, and liabilities by over 35%.

Some satisfaction may be gained from the fact that—as in an average year—the mortality trend has been downward since the first quarter. In 1920 and 1921 failures increased sharply during the second and third quarters. Failures during the third quarter of this year have declined nearly 8% in number compared with the second quarter and 20% compared with the first quarter, with liabilities about 19% below each of the first two quarters.

Classified according to type, the most numerous failures occurred in the trading group with an increase of 21% in number compared with the third quarter of 1929 and 24% in liabilities.

Battle for World's Telephones Becomes Three-Cornered Affair

Theodore Gary and Transamerica Form Huge New Competitor for I. T. & T. and Ericsson

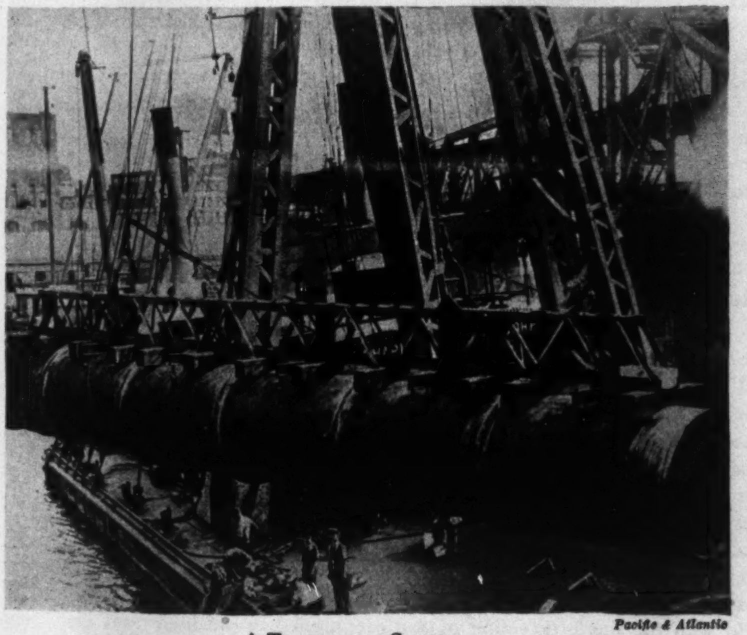
FORMATION of the General Telephone & Electric Corp., recently announced, means that the struggle for domination in the foreign telephone field now becomes three-cornered. The new corporation combines the financial strength of Transamerica Corp. with the operating and manufacturing skill of Theodore Gary and British interests allied with him. General Telephone is a holding concern for Gary's Associated Telephone & Telegraph Co. Associated T. & T. operates and manufactures abroad, and manufactures also in the United States. General Telephone is to have nothing to do with the Gary phone operating companies in this country; they have been shepherded into a second new grouping.

The Big Three

Most formidable of the embattled trio is the International Telephone & Telegraph Corp. Assets of this and allied companies are above half a billion. Last comes the $16,000,000 Ericsson Co. of Sweden, ranking considerably below its rivals in phone census but highly and effectively belligerent.

Formal participation of the huge Transamerica Corp. in the creation of General Telephone guarantees it against any shortage of ammunition. This happy condition is now shared by all points of the telephonic triangle. Besides other financial chieftains, the directors of the I. T. & T. include two representatives of J. P. Morgan & Co., and two officials of the National City Bank. At its head is the prodigiously able Sosthenes Behn. It is no mean name that the Ericsson Co. lists as its principal backer. Last month control of the company passed to Kreuger & Toll, the astute Ivar Kreuger who specializes in lending money to embarrassed nations in return for match monopolies.

A count of mouthpieces shows how the three compare in operating importance, but gives no yardstick for their manufacturing relativity. International Tel. & Tel. claims the lead with 700,000 phones. General Telephone and associated companies come next with an estimated 600,000—about 350,000 of these in the U. S. and the remaining 250,000 abroad. The Ericsson Co. has about 200,000.


Pacific & Atlantic

A TELEPHONE SUBWAY

To carry under the Harlem River the cables which connect Manhattan with the Bronx, New York State, New England, and Canada, The New York Telephone Co. called for the largest iron pipe ever cast. Here a big floating derrick lowers a 70-ton section into place

There are persons who assert that the Bell system underestimated the future of telephones abroad and that it rues the day its foreign business was sold to the I. T. & T. Maybe. But if the Bell colossus suffers any regrets they are successfully concealed. Against the figures of which the foreign companies are so proud, the A. T. & T. sets forth that it owns 15,000,000 of the 20,000,000 phones in the United States.

26 Nations Hooked Up

For the sake of its American subscribers, Bell is pushing telephone hookups with foreign countries. Already one may converse with 26 nations of Europe and Latin America over a Bell phone. Plans are afoot for a wireless station at San Francisco. It will be followed by another at Honolulu which will give the vibrations sufficient kick to cross the Pacific and furnish phone service between America and the Far East. Bell heartily favors phone development abroad, but views with unconcern the skirmishes of contending factions.

Theodore Gary, of Kansas City, on whose works the General Telephone & Electric was founded, is 76 years old. His presence and influence are accepted so generally as a matter of course that the press release announcing the new company inadvertently omitted his name from the board of directors. His son, H. L. Gary, is chairman.

Physique and accomplishment make the elder Gary an outstanding figure in the independent telephone industry. He is over 6 feet high and weighs 200 pounds. Age has tamed the fiery red of his moustache. From his widely humorous mouth and smiling eyes one would never guess that here is a man who wrestled 43 years with a family jinx before he licked it.

Licked Family Jinx

Theodore Gary was born on a Friday the 13th, of a sire famed in his neighborhood as the "unluckiest man in thirteen counties." The father was a farmer and housemover. The son, of necessity, followed the paternal footsteps. From the start he was unusual. At the age of 5 Theodore could carry a two-gallon pail of milk; at 10 he was doing a man's work in the field. When Theodore took to farming, rain ignored his acres, but insects never did. A venture as lightning rod salesman was disastrous. Everything he touched turned sour.

The family had moved to Macon, Mo., where Theodore went into real estate and investments. One day the owner of the Macon telephone exchange came in to list his property for sale. Gary bought the phone company himself and dropped his real estate business. Other exchanges were bought and linked up. In those days Bell was entrenching itself in the big towns. Gary foresaw that later Bell would have to go after the smaller communities. Meanwhile he kept on buying and integrating unimportant phone companies.

Independents realized the future of the automatic telephone before Bell did. Gary tried unsuccessfully to convince Theodore Vail, then head of the A. T. & T., of the inevitable superiority of the automatic.

Strike an Opportunity

A strike which crippled Bell service in New York created Gary's opportunity. He jumped a train for Chicago, where he got an option on control of the Automatic Electric Co. Then he hurried to Vail's office in New York. With a strike on his hands, Vail saw the point. Gary left with a breath-taking order for automatic phone equipment for Bell companies. The family jinx took one look at the order and tendered his resignation.

That same Automatic Electric plant in Chicago is an important factor in the General Telephone & Electric Corp. It manufactures large quantities of equipment for export. The company estimates that three-fourths of the world's automatic telephones use Gary equipment. Largest of the General Telephone's operating companies is in British Columbia, with 118,000 subscribers. Next, the Anglo-Portuguese with 21,000. It operates extensively in Colombia, Venezuela, and elsewhere. Main manufacturing plants outside the U. S. are in Liverpool, Montreal, Antwerp. A French plant will be added.

British Share $6 Millions

Heretofore, Transamerica has confined the greater share of its investments to banks. Participation in the development of foreign telephone companies is significant. Of General Telephone's authorized $250 millions capital, $20 millions will be issued to Gary and Transamerica interests, $6 millions to Gary's British associates. The remaining $224 millions to be held as treasury stock. No public financing is contemplated.

Taking Them for An Ultra-Violet Ride

After a seven-year experiment, the Bunker Hill & Sullivan Mining Co. of Kellogg, Idaho, have installed this automatic sun-bath machine for employees. Miners, obviously sun-starved, now step from the showers to this moving platform for their dose of ultra-violet; much sickness and resultant absence is avoided

The International Telephone & Telegraph Corp. has a lead of its rivals both in manufacture and operating companies. It has tackled the enormous problem of integrating telephones, cables, telegraph, and wireless. Its plants and exchanges dot the two Americas, Europe, and the Far East. Others are in Africa, Australia, New Zealand, India. I. T. & T. has been gathering in foreign companies at a great rate. (The important Siemens & Halske, German manufacturers, continue as independents and have made creditable showings despite the activity of stronger rivals.)

The Ericsson Co., of Stockholm, are skilled manufacturers as well as operators. Kreuger & Toll's match money will enable them to consolidate and extend the positions they have gained throughout Europe. They are in Mexico, where they have given the I. T. & T. some uncomfortable moments. It is their boast that in Stockholm and other cities of Sweden the telephone has become as universal as in the United States. Figures show Stockholm to be the most highly telephonized city in the world with the single exception of San Francisco. Stockholm has 29.8 phones per 100 population; San Francisco 33.6. (The next highest cities are Washington, Chicago, Seattle, Toronto, Omaha, New York, in the order named.)

Industrial Operations Pick Up in September

Slowly rising manufacturing activity is reflected in the *Electrical World* index based on reports of energy consumption for some 3800 industrial establishments. September operations, weighted according to value added by manufacture, were 5% higher than in August, the latter month having shown a very slight advance compared with July, which remains the lowest since the summer of 1925.

The rise was somewhat more than seasonal; adjusted figures, taking into account the normal variations in the several industries, show 0.7% excess. Compared with last year, the level continues low; the September figure is down 18.5%; for the first 9 months the average is down 13.9%.

It is worth noting that the gain, though moderate, was general, 9 groups out of 12 advanced. Compared with August, the textile industry is the one that shows the greatest rate of revival. It needed it; August was its lowest month in many years. Against July, however, the improvement is 7%, but at that it was operating in September at 29.5% below the production level in the same month last year.

Commodity Prices Are Steadier At Low Levels; Grain Exception

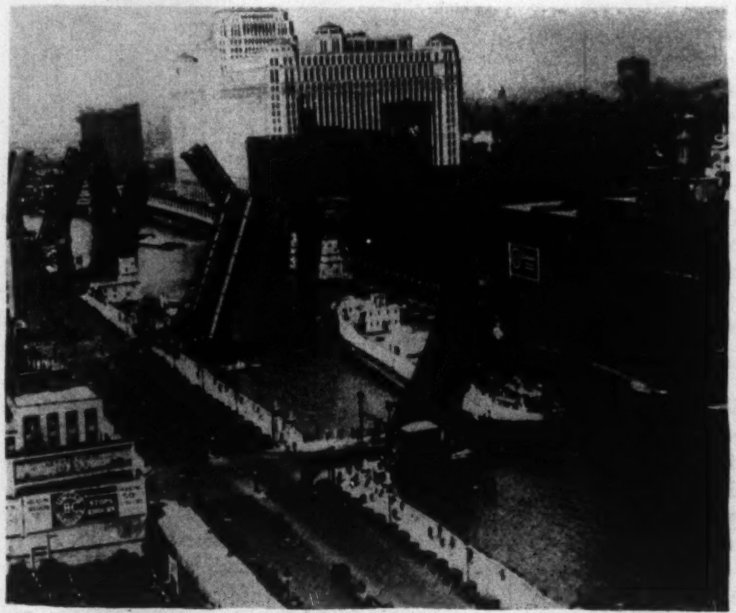
October Crop Report, World Statistics, New Trading Rules Combine to Unsettle Wheat Pit

COMMODITY prices were steadier during the week but showed no signs of definite reaction upward from the low levels to which they were forced by the renewed attack of deflation during the past month. Since this latest exhibition of weakness in commodity prices, it has become dangerous to speak of stabilization or of "bottoms," but during the past week it has appeared likely that there is very little tendency for commodities to show any further decline.

Some weakness continues in lead, zinc and tin, and the failure of any definite upturn in steel activity has brought further shading in steel scrap prices and in finished steel products. Copper remains steady and the silver price appears to be holding its improved level. Rubber has fluctuated without breaking through its lows; silk is somewhat stronger; cocoa is holding part of the gains due to the Brazilian upset; and sugar prices have improved as a result of the new marketing plan.

The grain market was disturbed by the October crop report and by changes in the trading rules in the wheat pit. The crop report indicating partial recovery from drought effects, and a gain of more than 64 million bushels in the corn estimate, weakened prices considerably. The Department of Agriculture reported general improvement in crop prospects during September by nearly 2% although prospective yields were still 6.3% below those of last year. This improvement applied to all important crops.

Some increase in world wheat crop totals was indicated by the Department of Agriculture reports as well as by estimates of the International Institute of Agriculture cabled by *The Business Week's* European Bureau. The latter indicate that the total European wheat crop will probably be 200 million bushels below last year, excluding Russia, still an unknown quantity. Although the southern hemisphere crop of Australia and Argentina will be determined largely by weather conditions during the next 6 weeks the prospects are for an increase of 176 million bushels. Taking account of the increase in the United States and Canada, the institute estimates the world total, excluding Russia, at about 123 million bushels above last year. Even though indications are that corn and other fodder crops abroad have shown decreases comparable with those existing in the United States—corn alone having dropped over 25% in seven European countries and 18% in all foreign countries reporting—the institute believes total grain supplies will continue somewhat to exceed demand this year.



Pacific & Atlantic

CHICAGO BRIDGES

Truck drivers curse, taxi drivers laugh when Lake boats go through the Chicago River. In this view, taken from the Pure Oil Building on Wacker Drive, there are five bridges up

Wheat Pool Cuts Payment

Whether reflecting this situation or the confusion resulting from changed trading rules, Chicago wheat prices continued this week to fluctuate around the low levels established at the end of September. The Canadian Wheat Pool, evidently anticipating no speedy rise in prices, has cut its initial payment to members further from 60¢ to 55¢ a bushel. Germany, anticipating large wheat supplies available for export by other countries, has notified the League of Nations that she has been obliged to increase her wheat duties because of the heavy drop in wheat prices. This is another indication that the agreement reached last March by European countries for a moratorium on further tariff changes has gone by the board.

Cotton Prices Steadier

Cotton prices have improved somewhat and are holding above the 10% level, chiefly as the result of the moral support forthcoming from recent activities in Washington and the statements made by Farm Board representatives at the emergency conference called in New Orleans Monday. It is clear that the Federal Reserve Board and the Farm Board, through the intermediate credit banks and Farm Board cooperative agencies, are using every possible means to prevent a further slump in cotton prices. Farmers and co-ops are to be assisted in holding the present crop from the market on a basis which practically fixes 9¢ as a minimum price, and the Farm Board has reiterated its intention of keeping its cotton holdings from the market as long as necessary. That cotton consumers do not expect to get supplies at much lower than the present levels is indicated by a continued fair volume of buying. September cotton exports were highest for the month since war time.

Grain Rate Issue Widens Rift Between Railroads and I.C.C.

Carriers Seek Relief From "Legalistic Rulings," Accuse Commission of Inconsistency

THE Interstate Commerce Commission is getting it from all sides whatever it does. Even President Hoover came close to making a positive statement last week when he said that the railroads have been handicapped by some provisions of the Transportation Act. Railroad men wish he had been less vague but hope he favors relief from what they sum up as legalistic rulings which hold returns down to 5¾% in good years and let them collapse in lean years like this one without any compensating reserves.

Worse than that, when already laid low by decreased traffic and earnings, the railroads think they are being hit when down by the Western grain rate reduction, effective next February if schedules can be completed by then. This will cut $15–$25 millions from revenues already pared to a 3% basis. The I.C.C. is insistent, has refused to meet a protesting group of railroad presidents. Such a conference could not "be granted with propriety," "might set a precedent," said the commission, retiring behind official portals. "It is time you did set a precedent," retorted the executives, taking their hats. And there the matter stands.

Cotton Comes Next

More than grain is involved because this is simply the first of a series of readjustment reports ordered by Congress under the 1925 Hoch-Smith resolution. Cotton comes next. With grain, the general reducing process has been to bring domestic rates down to export rates. Flour drops to a parity with wheat and both approach the lower levels of coarse grain which rises to meet them. There are other increases through elimination of traffic balances and restriction of transit privileges but they are not enough to offset the cuts and do not help the Southwestern carriers who must bear the brunt of uncompensated reductions.

Deprivation of property without due process of law is charged by the railroads in their complaint brief. Twice recently the I.C.C. held the past rate structure not too high under the same section which it now uses in the slashing, with Hoch-Smith encouragement. Railroads view this backtracking indefensible under present depressed conditions and say the new rates simply will hurt them without helping the farmer or anyone else but a few middlemen. They add that setting up competition with low Canadian rates to the seaboard as an objective is misleading, with one Canadian road owned by the government.

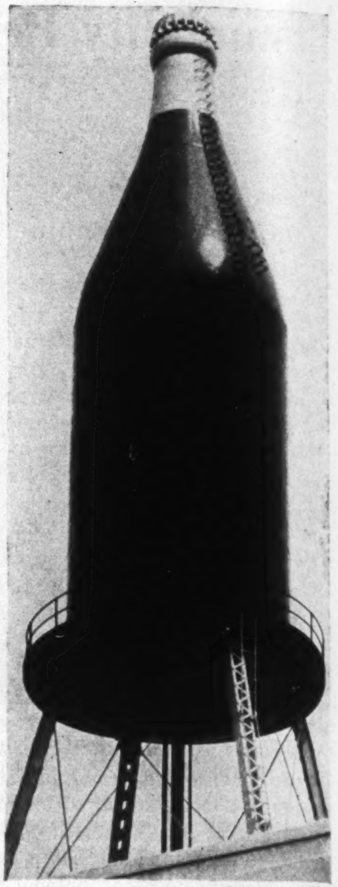
Deny Value of Cut

The Bureau of Railway Economics makes its figures prove that last year's seasonal reductions in grain rates for movements to export markets neither stimulated movements of surplus, relieved congestion before the 1929 crop was harvested, nor kept up prices.

As an example of what the new tariffs do they show that the 3¢ rate from Sioux City to Omaha means for this 100-mile run only $21 on a 70,000-pound carload, claim this is less than terminal charges at each end. Similar conditions are said to apply to Kansas City–Chicago flour movement. There will be a long, bitter fight before the railroads submit.

Another case, which probably will work through to the Supreme Court, is the first to test I.C.C. rights to order construction. It involves Union Pacific's unwillingness to build a 185-mile east-west line across Oregon from its spur at Crane to the Southern Pacific at Crescent. The Oregon Public Service Commission wanted this, believing the state's internal progress has been hampered by the fact that rails encircle the west, north, and east boundaries, leaving some south and central regions without service. The commission ordered that the line be built, closing the southern gap. Union Pacific seems to think there is too much jackrabbit country along the route and that neither tributary nor through-traffic prospects are promising. The case is before a federal District Court.

Other extension plans are being abandoned in Montana where the Northern Pacific and Great Northern were battling for entry into Lewistown by building a 150-mile line costing $8 millions. Charles Donnelly and Ralph Budd, respective presidents, gave low earnings as the main reason for junking plans. Now their roads can unlock antlers gracefully and ask I.C.C. for more modest 30-mile extensions, which was what they wanted anyhow. Farmers are glad to see 3 million acres held from production of wheat and allied crops.



International News

HOW ABOUT AN OPENER?

The Hoffman Co., big New York beverage makers, made the water tank on the Newark plant a wordless advertisement of its product. It is 60 feet high and is floodlighted at night. Six men can stand on the cap

Class rates raises are ordered in Wisconsin and Minnesota. Industrialists are saying they can not bear it under depressed conditions, their freights already being out of line with those of Eastern competitors. Railroads seem to sympathize and have asked the I.C.C. to delay enforcement till Jan. 1. The commission has authorized the roads to extend special reductions to move cattle, food, and water in drought stricken areas for the five months from Oct. 31 to Mar. 31.

Close Analysis of Retail Sales Measures Strength of Pickup

Breakdown of Chain and Department Store Figures Shows Increases Obscured by Low Group Averages

ANALYSIS of data on chain and department store sales for September and the first 9 months of 1930 contradicts the popular impression that general retail sales have dropped materially from 1929 levels, indicates that actual conditions in many retail fields are much nearer what might be termed normal expectancy than casual observation makes evident.

While recently released tabulations of 1930 performance records of 52 chain systems show actual average decrease of 4.16% from 1929 September sales, and an increase of but 1.65% for the first 9 months of 1930, these percentage figures appear inadequate without supplementary data covering such points as changes in commodity prices, number of stores involved, relation of percentage changes to total volume.

For instance, September dollar volume of these 52 chains was $13,482,000 below 1929, but eliminating just 4 concerns—Sears, Roebuck & Co., Montgomery Ward & Co., National-Bellas Hess and J. C. Penney—with their declines of $13,509,000 in dollar volume, the remaining 48 chains averaged a September business equal to 1929's. Similarly, eliminating figures for these 4 concerns leaves the other 48 chains showing an average sales increase of 3.61% for the 9 months of 1930, or about 2% better than the 1.65% increase for the group of 52 (of which 34 actually reported increased business).

These September reports prove still less "depressionistic" when the comparative importance of the various systems is considered. Of 43 companies furnishing data on the number of units operated, 21 companies with 19,601 units, chiefly in the grocery and food field, show average decreases of 4.75%—which, bearing in mind the drop of over 10% in value-per-ton index of food products (*The Business Week*, Sept. 24), means an actual increase in tonnage moved; 22 companies, operating 22,389 units, average increases of 10.2%.

IGA
LUX FLAKES
9¢
MEATS
GROCERIES

Underwood & Underwood

INDEPENDENTS FIGHT CHAINS WITH CHAINS

One of the members of the Independent Grocers Alliance—largest of the "voluntary" chains—operated by 58 wholesalers and over 9,000 retail grocers. Store arrangement, window displays, merchandising methods, even price tickets are standardized. Sales promotion and advertising is cooperative; campaigns are conducted 8 times a year

Records for the first 9 months of 1930, covering chain systems on which data regarding the number of stores operated are available, show that 31 systems with 28,712 units in various retail lines made an average sales increase of 13.12%; 14 companies operating 13,279 units averaged decreases of 5.3%.

Department Stores Hold Up

Figures from larger department stores fail to show any recession in public buying; in many quarters the only October pick-up is reported ahead of seasonal expectations.

Associated Dry Goods Corp., with 8 stores at Minneapolis, Louisville, Buffalo, Baltimore, Newark, and New York, reports September business 4% ahead of 1929 and, regardless of drastic price reductions, expects 1930 earnings at least to equal, probably to exceed, 1929's record figures.

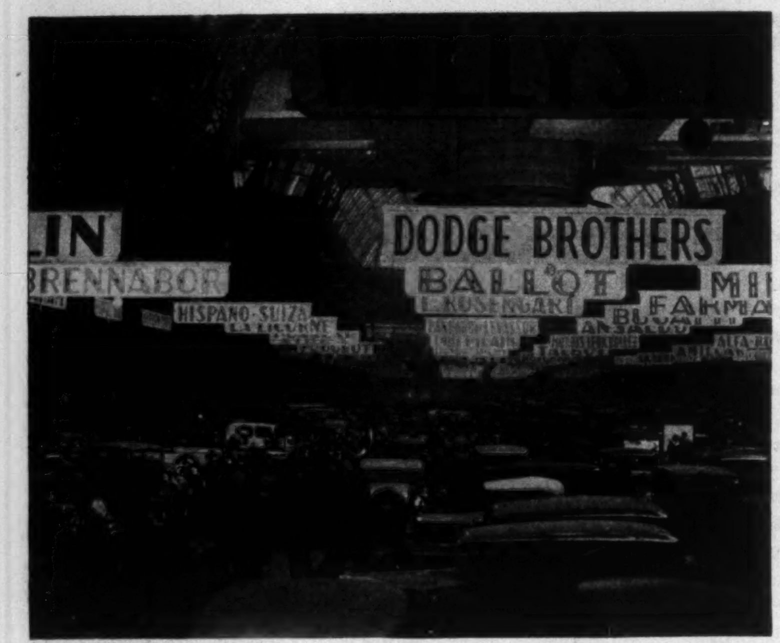
McCreery's (New York) reverses Federal Reserve Bank figures for its district, showing a September increase more than 7% over 1929, whereas the territory as a whole records a 7% decline; reports October sales heavy on some days doubling comparative records for 1929; cites a special sale on carpets which cleared in 2 days a special stock that was expected to last a week.

Lit Brothers (Philadelphia) recorded this month the highest sales for 1 day in its history, mounting well above $1 million, while Stix, Baer & Fuller Co. (St. Louis) reports the highest September sales in its 38-years.

Hahn Reports Improvement

Hahn Department Stores, Inc., national chain, after reducing inventories by over $3 millions and now discontinuing taking write-offs on prior-to-merger operations, reports that comparison of earnings to date with 1929 figures reveals substantial improvements. Atlas Stores Corp. notes for its chain consistent sales increases over 1929 extending through Sept. 30, with October sales going ahead of that.

Two Washington, D. C. department stores have chalked up September sales 8.6% and 2.5% better than for the same month of 1929; a third reports a



Keystone

THE PARIS SHOW OPENS THE SEASON

Exhibitors improved present models; changes are reserved for more prosperous times. Except for General Motors—which withdrew as a protest against space allotments—American manufacturers were well represented

drop of 10.5%. Those showing gains credit hard work, careful buying, profit reductions; have neither laid off help nor reduced wages. One held a "new accounts week," netted 20 new accounts, tried again after an intensive "jacking up" of the organization and added 1,050 accounts this time.

One well-known department store manager in an Eastern city, in the heart of an industrial territory, has engineered remarkable sales increases by keeping exceptionally complete employment records on the plants in that territory and gearing special sales and advertising effort to employment totals.

F. D. Corley, vice-president, Marshall Field & Co., Chicago, considers liquidation of over-stocks and price reductions about ended; believes distress merchandise is off the market; feels that current retail buying must be promptly reflected back to the manufacturer due to the absence of heavy warehouse stocks for spot delivery and low supplies of raw materials at mills. Similarly, the National City Bank, while believing that general trade recovery cannot occur until steel, building, automobile activities are resumed on large scale finds from a nationwide survey that stocks of merchandise have been so greatly reduced that manufacturers are receiving unusual quantities of telegraphic orders requesting express shipment where possible.

Significant also is the result of the National Association of Credit Men's survey of wholesale and manufacturing firms in 100 cities, showing that 7 cities reported brisk sales, 66 had fair business, 12 out of 27 cities considering business "slow" in early September were calling it "fair" before the end of month, while 2 moved from the "fair" into "good business" column.

General Foods Adds To Its Wagon-Loads

JOINING forces to improve customers' service and lower distributing costs, General Foods Corp. and The Glidden Co. have completed exclusive arrangements, so that wagon salesmen of the former will carry and supply the products of Durkee Famous Foods, Inc., subsidiary of Glidden—leading items, Troco Margarine and Salad-Aid dressing.

Selling heretofore chiefly in Western and Southern territory, Glidden Co. now secures national distribution through exclusive channels. General Foods, up to now selling margarine only in a few sections, acting in this instance as a wholesaler, broadens its opportunity by selling Durkee Troco Margarine on an exclusive basis, expects to increase the sales and operating profits of wagons.

General Foods Corp. is negotiating with other manufacturers of popular food products, adaptable to wagon distribution, intends to increase the variety of items sold direct to retailers from the "wagons" of its Hellmann Mayonnaise distributing system.

Meanwhile, preliminary figures for 9 months of 1930 show General Foods sales maintaining approximate 1929 levels while earnings are expected to be record-breaking although resulting strictly from commercial operations—not, as in 1929, from high rates on call money, security-selling, and other non-merchandising activities.

"Carriage Trade" Still Best, Survey Shows

STUDYING consumer habits, means of transportation used, relative importance of buyers, Albert Russel Erskine Bureau of Harvard University discovers for the U. S. Chamber of Commerce that, in Kansas City at least, only 33% of customers arrive by automobile, but they buy about 52% of the total volume sold, while 60% of the shoppers, using public mass transportation to reach the shopping center, account for less than 40% of the sales. Walking patrons averaged 10% in number and 10% of sales.

Breaking down the size of purchases per buyer shows arrivals in chauffeur-driven autos with highest average purchase, index figure 215, followed by suburban and out-of-town buyers at 160, while those driving their own car, parking it in some protected garage or lot, showed 125, parkers at the curb 110, walkers 102, and street car and bus arrivals 72 on the index.

The peak of shopping activity, 100%, is reached at 3 p.m.; it averages about 60% during forenoon, drops to 50% by closing time.

Comparison of Kansas City findings with results of similar studies in Washington, Chicago, San Francisco, and Boston shows Boston as having the most walkers, 23.70%, Chicago the highest percentage (72.50%) of those using mass transportation, and the smallest number (8%) of automobile shoppers. No parking is allowed in Chicago.

Style Season Advanced To Stimulate Sales

BELIEVING that the present unusual status of the retail market demands unusual sales strategy, Congoleum-Nairn, Inc. followed its recent price reduction (*The Business Week*, Sept. 18) with a pre-season release of new patterns.

IDENTIFIED*
CUT-TO-SIZE CRATES
FOR STANDARDIZED PRODUCTS

Weyerhaeuser Cut-to-Size Crates, designed specifically for your standardized products, make possible substantial reductions in your shipping costs.

Because they are scientifically designed and Laboratory-tested, Weyerhaeuser Crates exactly meet the shipping requirements of the individual product. There is no haphazard assembly, no variance in kinds, sizes and weights of lumber. In hundreds of instances the Laboratory method of analysis and design as developed by Weyerhaeuser has revealed wastes in labor and materials and eliminated them by the use of proper woods, correct design and orderly assembly.

The Weyerhaeuser Method shows you the minimum amount of lumber required — the right kind, the exact size, the correct weight, and the specific number of pieces. This frequently means lower lumber and freight costs.

The Weyerhaeuser Method creates orderly arrangement and specific method of packing, resulting in speedy assembly and minimum labor cost.

The completed crate is strong, rigid and safe—assuring a minimum of troublesome and costly damage claims. And because it is *right,* it is stamped with the approval of our crating engineers — The Weyerhaeuser Seal!

Even though the design of your present crate may be perfectly satisfactory, we frequently can show you savings through the use of proper woods and because of our specialized manufacturing facilities and our long experience in solving industrial problems of this nature.

An estimate on your present requirements for cut-to-size crates, or a cost-saving Laboratory Analysis of your shipping methods can readily be arranged through our nearest district representative.

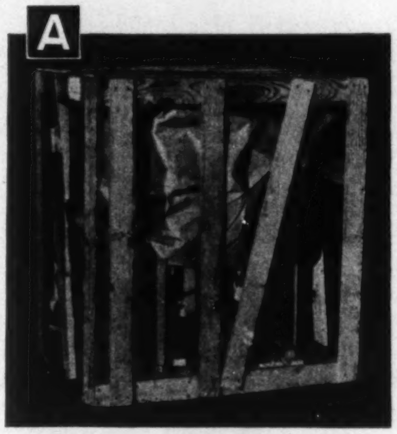
• • • •

For the manufacturer who is unable to take advantage of the economies of cut-to-size crates, Weyerhaeuser offers a variety of ideal Light Weight Crating Woods in standard grades and sizes. These woods are light weight, non-splitting and of ample strength to assure adequate protection, making possible unusual savings in both labor and freight costs.

★ WEYERHAEUSER LABORATORY TESTED CRATES

The Weyerhaeuser Seal is a symbol of demonstrated worth. It identifies only the crate that has undergone scientific study and Laboratory analysis . . . . the crate that has been proven to be soundly designed and properly assembled. It is the mark of approval of the Weyerhaeuser Crating Engineer.

A



Crate History No. 232

The crate in which this machine was originally shipped to our Laboratory at Cloquet was heavy, complicated to build and contained too much lumber for the amount of protection given the machine. It lacked rigidity. The top and bottom were made in sections, while the sides and ends were nailed in place during the crating operation.

B

The Weyerhaeuser Laboratory Designed Cut-to-Size Crate was made of lighter weight woods and consisted of top and bottom sections and two identical side and two identical end sections. Two uprights in the bottom section formed the mounting for the machine, properly distributing the weight and eliminating the bracing and blocking used in the old crate. Savings effected were 23% in lumber, 28% in weight and reduced labor because of easier assembly! And obviously a neater crate!

Crating Sales Division
DEPARTMENT 55

WEYERHAEUSER SALES COMPANY
307 NORTH MICHIGAN AVENUE CHICAGO, ILLINOIS

New designs and new production schedules were planned months earlier than normal. When loss of dollar volume, induced by the 5% to 17½% price cut, created dealer demand for something new with which to stimulate consumer interest, almost instant response was possible.

Five new designs in each of four products that ordinarily would not have been released until December are being delivered now; others are in preparation.

Sears, Roebuck Broadens Offer To Finance Home Modernization

Development of a considerable volume of small-home construction and repair work is expected to follow the announcement by Sears, Roebuck & Co. of an unusually liberal home modernization financing plan. Sears, Roebuck will finance any repairs, alterations, or improvements minimum cost $100 for both materials and labor, for 10% cash and the balance in monthly payments extending as long as 24 months.

Experimentally the plan will be limited to a 50-mile radius from New York. Special home modernizing, architectural, and job-figuring branches will be opened in White Plains, New Rochelle, and Jamaica, N. Y., and in Newark, Hackensack, and Paterson, N. J. If successful the plan will be extended to other large cities throughout the country.

During 1929, in the New York area, Sears, Roebuck started to supply materials and labor and occasional financing for 4 major classes of house repair—heating, plumbing, roofing, and garages. Now the plan includes every type of modernization work; built-in improvements from oil burners to ironing boards; new plaster walls, new wall paper, new floors or floor covering; exterior improvements such as storm sash, sun rooms, new roofs, side walls. Sears, Roebuck will act as general contractor and will supply all architectural service, financing, and materials. Local labor will be used exclusively.

Similar plans, but on a more limited scale, have been successfully offered recently by several suppliers of home equipment. Most noteworthy have been those of American Radiator and Standard Sanitary Mfg. Co. and of Certain-Teed Products Corp. These plans have been confined chiefly to work calling for products supplied by the companies, such as heating, plumbing, re-roofing, and painting, and generally have required a minimum expenditure of $500 on repair work.

This latest Sears-Roebuck development is a logical outcome of its new home building and financing plan announced last January (*The Business Week*, Jan. 29). This has been so successful that, despite the continued and unprecedented lag in residential construction generally, Sears, Roebuck reports that its operations under the new plan have surpassed in number of homes built and volume of material sold all previous records during the 18 years the company has been supplying ready-cut homes and building materials.

Additional evidence of the popularity of this type of financing, by which usual difficulties in obtaining funds for modernization are lessened, is the report that during the first half of 1930, American Radiator Co. did about $3 millions worth of heat-remodeling business alone on jobs averaging about $600 each. Its plumbing remodeling jobs are reported to be about $300 each.

The Laundryman's Laundry

Opened near Joliet, Ill., last month, the American Institute of Laundering maintains a model laundry, run commercially, a school for laundry workers, and a research laboratory. By serving Joliet as a laundry, it serves the whole industry as a proving ground

Laundrymen Operate Model Plant, School

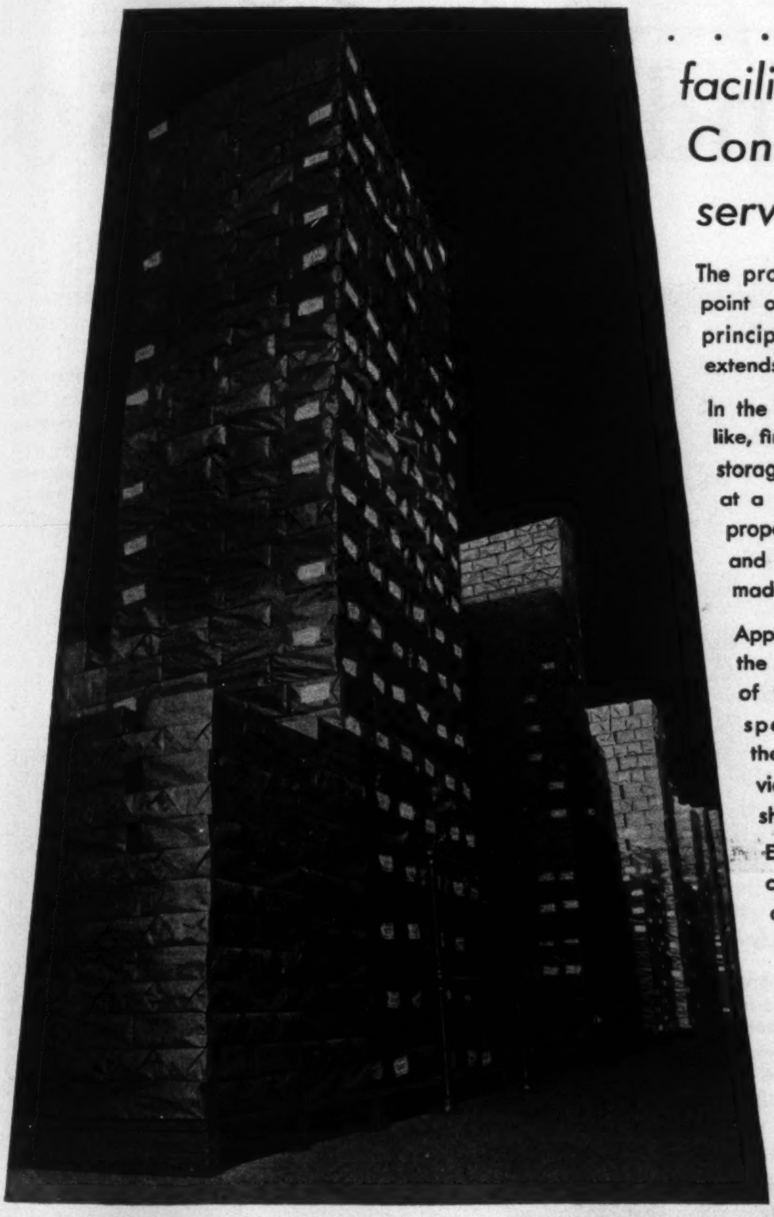
American Institute of Laundering has opened, near Joliet, Ill., a model plant, a laboratory, and a school for the development of new and improved laundering methods. The Laundryowners National Association calls it a million-dollar proving-ground for a billion-dollar industry.

Part of the works is a commercial plant, which serves Joliet. A building has been added to provide classroom and laboratory facilities. Students will be put through a one-year course including: power plant engineering; production; textiles; washroom practice; accounting and office administration; and sales, service, and advertising.

An observation platform is provided from which operation can be watched.

In the plant and laboratory, finished with spotless enamel, new equipment will be tested and experiments will be made on laundry damage, the behavior of dyes, soaps, the launderability of textiles. The institute has been projected for 15 years. The layout is similar to that used for several years by the American Institute of Cleaners and Dyers near Washington, D. C.

TOWERS OF BOOKS



. . . *immense storage facilities are a part of Conkey book-making service . . .*

The production of books that excel in every point of fine book-making is a Conkey "first principle", but Conkey book-making service extends beyond that.

In the great Conkey plant an immense vault-like, fire-proof storage room accommodates the storage of as much as ten million volumes at a time. Protected by secure wrapping, properly labeled for positive identification, and piled in orderly "towers" Conkey-made books await their shipping orders.

Appreciating these excellent facilities for the protective storage and trained handling of their property, our customers ask only specimen copies, gladly assigning to us the forwarding of respective lots to individual consignees, according to their shipping instructions.

Every shipment of books is carefully counted, placed in strong, scientifically designed shipping cases to protect them against the elements and rough handling while enroute and then carefully stenciled with consignee's name and address together with the quantity of books in each case.

Conkey craftsmanship and complete facilities warrant your immediate consideration.

RAFTSMANSHIP
in the mass
production of
hard bound
books and
catalogs

On pages 27 to 31 inclusive of the Conkey book, "Craftsmanship in the Mass Production of Hard Bound Books and Catalogs", the Conkey method of storing finished volumes is described in detail. Write for a copy of this book which tells all the business man should know about book making.

The Mark of Good
Printing Since 1877

W • B • CONKEY CO•

Printers, Binders and Book Manufacturers
HAMMOND, INDIANA
SALES OFFICES IN CHICAGO & NEW YORK

They *spent* $50 and *saved* $250

One Dalton pays for itself yearly . . . PLUS $1220

Two large millinery houses merged. They replaced two old accounting machines with one Dalton. They say "Our ledgers are posted up to the minute and kept in constant balance. Our statements are always out on time now. Machine saves the time of one operator and cost of a second machine. We figure that it earns $1220 a year . . . besides more than paying for itself annually."

Outlay $125.50 . . . *paid for in* 7 *weeks* . . . *Annual Saving* $882

An Insurance office . . . not a large one . . . used to make out separate bills, ledger sheets, expiration forms and companies' records. Remington Rand showed how to cut the four operations down to one . . . showed how records could be made more accessible . . . how mistakes could be eliminated. Cost of binders, indexes and special forms was $125.50. The new system paid for itself in seven weeks . . . showed a cash saving of $882 in twelve months.

$52 *Kardex Investment saves* $2,975 *Carrying Charges*

It was in an Ohio department store. Kardex Merchandise Control was installed experimentally . . . requiring the purchase of a single Kardex unit at $52. It simplified buying. Slow moving items couldn't be overlooked. Dead stock was eliminated. At the end of a year, the new system had saved $2,975 in carrying charges . . . nearly $250 saving every month. As a result, the Kardex system has since been installed throughout the entire store.

the same month

. . . let Remington Rand show you how SMALL investments can make BIG ECONOMIES . . .

There are two major misconceptions that Remington Rand meets with. First . . . that although operating economies are fine things, it takes a long time to feel their benefits. Second . . . that such economies always cost a lot of money to put into effect.

Misconceptions. Both of them. Most Remington Rand installations are put in to make IMMEDIATE Economies. And in answer to the comment "We would like to save money but hesitate to make a heavy investment," Remington Rand can point to hundreds of small cost installations that are actually paying for themselves *every month.* Remington Rand does not have to sell you this machine or that . . . this particular system or that one. It cannot serve you at all if it cannot help you to operate more economically or efficiently. Consequently it is free to fit its recommendations to your needs exactly.

Call the Remington Rand man. Consider him as a member of your own staff. Let him study your problem and show you how better methods can be paid for out of current operation expenses and the savings that will follow . . . *Sometimes in as little as 30 days!*

Remington Rand

BUSINESS SERVICE

Executive offices, Buffalo, New York. Sales offices in all leading cities.

LIBRARY BUREAU *Filing Systems and Indexing Service* . . . **REMINGTON** *Typewriters and Accounting Machines* . . . **INDEX VISIBLE** . . . **RAND & KARDEX** *Visible Records* . . . **DALTON** *Adding and Bookkeeping Machines* . . . **KALAMAZOO AND BAKER VAWTER** *Loose-Leaf Equipment* . . . **SAFE-CABINET** *Record Protection Devices* . . . **POWERS** *Accounting Machines*

Wide World

ASK THE MAN WHO OWNED ONE

The first Packard, Model 1899, will be driven under its own power from Detroit to Bethlehem where it goes on exhibition in Lehigh University. Lamps and whipsocket were apparently extra equipment, not included in the original price of $1,250

Automobile Industry Believes It Has Rounded the Turn

September Estimates Are Taken to Indicate At Least a Small Pick-up in Demand

GOOD news of the automotive industry has been so rare lately that the industry is inclined to make merry over the September production estimate of the National Automobile Chamber of Commerce. This estimate, which according to past experience is inclined to be low, puts total output in September at 226,361 cars and trucks, only 2.6% below that of August. Since the usual seasonal decline from August to September is about 10%, the industry regards this relative gain as a sign of renewed business. This belief is strengthened by the fact that there is no evidence that manufacturers have abandoned their policy, generally adopted this year, of regulating production according to demand. So September's showing seems to indicate an actual seasonal increase in the public demand for cars.

If this estimate of the situation be true, September witnessed the halt of a progressive decline which has been under way all year. During the first quarter of 1930, output was less than in 1929, of course, but was slightly above that of 1928 and was considerably better than 1927 first-quarter production. Second quarter output in 1930 declined, relatively, was less than that of 1928, only slightly better than in 1927. Further declines were made in the third quarter when 1930 production was only about half that in 1928 and 150,000 less than in 1927. Total production for the 9 months was about 600,000 less than that of 1928, 14,000 less than 1927, some 1,800,000 less than the first 9 months' output of 1929.

August sales were rather disappointing at 203,000—46% below August, 1929 and 38% below August, 1928. Since total sales for the first 8 months, 2,111,000, were only 29% below the similar period of 1929, it is clear that the upturn in consumer-demand reflected in September production was not evident in August.

With the major selling months of the year past, it is now possible to take a look at the industry to see how it has weathered the storm of business depression. Comparison of 8 months' sales figures by makes calls immediate attention to the wide differences in results obtained by various companies. While total sales this year have been 29% below those of 1929, sales decline of individual manufacturing interests range all the way from 10% for Ford to Hudson, Willys, Nash and others with over 50% drop from 1929 attainments.

Ford and General Motors units have been the only major producers whose 1930 sales have been better than the industry's average; and General Motors 26% decline from 1929 has been kept within that limit chiefly by Chevrolet sales which dropped but 16%, while Oldsmobile went down 44% and Pontiac 58%. With Ford and Chevrolet sales eliminated, the decline from 1929 is 47%.

Declines registered by some of the other companies are: Chrysler units, 31%; Hudson-Essex, 63%; Studebaker-Pierce-Arrow, 32%; Willys Knight-Willys-Whippet, 69%; Durant, 53%; Graham, 48%; Hupmobile, 33%; Nash, 56%; Packard, 35%; Reo, 41%. The effect upon dealer organizations of being able to sell only from 40% to 70% of the cars they are organized to sell and sold last year can readily be imagined.

Although no substantial evidence is available, there are recurring reports that dealer mortality this year has been heavy and will increase, if anything. Elimination of many of the 26 so-called independent manufacturers or their merger into larger and stronger units seems to be almost unavoidable during the next year or two, possibly during coming months.

Northwest Lumber Tries A Firm Price Plan

CONVINCED that 1931 will usher in a period of improved business, lumbermen of the Pacific Northwest have inaugurated a firm price plan for sales in the rail trade.

In the past, lumber produced in this territory has been sold "at the market," most sales being subject to individual bargaining. The effect of this practice during the last year, during which lumbermen have been receiving a decreasing volume of business, has been to depress sales levels below costs and to leave the individual millman and buyer foggy about current values of various items of stock.

Col. W. B. Greeley, formerly chief forester of the United States, and now secretary-manager of the West Coast Lumbermen's Association, with headquarters at Seattle, proposed that an individual list be issued by each producer carrying his prices and conditions of sale; that this list be firm until superseded; that new or corrected lists be issued as frequently as desired but that, during the life of each list, no sales be made at prices lower than those published. This program, endorsed by association members, has nothing to do with price agreements. Each mill, responsible for its own list, merely agrees to stick to that list until superseded.

Considerable spread has been found in published prices. Some mills sell mixed car lots to retailers, while others cater to wholesalers or commission houses in straight full cars of the same stock. Some plants are long on certain materials and accordingly quote to suit their market position.

About 125 mills in the Northwest, about 80% of the plants serving the rail trade, are now following the firm price program, report satisfactory results. They expect to continue on present reduced production schedules—averaging 47% of capacity—until the end of the year. In the meantime, the firm price is expected to stabilize the market in preparation for more satisfactory prices next year.

Latin American Sales Boost Radio Exports

RADIO exports have continued to increase despite the depression, largely due to Latin America. *Electricidad en America* says radio sales per capita have been less to Argentina and Brazil, where radio reception is good and there are urban populations, than to the Dominican Republic, where reception and the people both are poor. The little black republic has been sold toward capacity because of its comparative nearness. To supply the larger countries to the same ratio, which is not impossible, offers an enormous market.

Already a good framework has been laid. Not only music but also local football games and market reports on rubber, coffee, and the like are broadcast. Bullfights next, maybe. United States exports of home sets, parts, tubes, and accessories totaled $7 millions for the first half of 1930, a 17% increase over the 1929 figure.

MAKING BY-PRODUCTS PAY DIVIDENDS

Six billion pounds of steam a year are supplied to the Standard Oil Company of Louisiana by the steam power plant of Louisiana Steam Products, Inc. Electric power is supplied by the same plant to the Baton Rouge Electric Company. Both companies are served at lower cost. This saving is accomplished by burning all available residuals of the Standard Oil Company's refinery.

The plant, designed and built by Stone & Webster Engineering Corporation, was operating in 5 months and 12 days from the time ground was broken.

BUILDERS and ENGINEERS
For the
BUSINESS LEADERS
OF AMERICA

STONE & WEBSTER
ENGINEERING CORPORATION
A SUBSIDIARY of STONE & WEBSTER, INCORPORATED

Textile Industry Improves Its Sales, Prices, and Spirits

Fabric Quotations Hold Firmer Even With Raw Materials Slumping; Cooperation Increases

SOMETHING new has happened in textiles. Although faced with raw material price slumps which would have demoralized the industry in its former defeatist spirit, most lines are holding their own; some are improving. Mill heads have stopped looking over their shoulders at the shadow of bankruptcy and are becoming optimists in a cautious way.

Why? It is not merely that some sales are rising up to or above seasonal expectations. It isn't that anybody foresees or wants a boom. Something more basic has made proverbially gloomy textile producers see a brighter vision than has been revealed to most business executives.

Group Action

Group thinking rather than mass stampeding is the keynote. As with many another industry, the slump has forced home a realization that if somebody spoils a good market, nobody profits, not even the spoilers. The textile groups have done more than ponder, as shown in two important results: (1) most fabric prices are standing up while declining raw material costs are widening profit margins; and (2) production in most lines is keeping within probable needs.

More specifically to show what this textile optimism is and whence it arises, the *Textile World* examines the branches one by one. Here is cotton:

Majority belief is that an upswing more than seasonal is occurring. Full recovery is not expected for 6 months but all foresee marked progress within a year. One man predicts a record in 1931. With raw cotton futures at 10¢, mills not only think it is a good idea to buy but they actually are doing so, in some cases up to 50% of needs as far as 3 years ahead. They think that, although cotton may go a little lower, it is always good business in the long run to take the opportunity of buying below production cost. Some others are holding out till their selling prospects more surely justify commitments.

At the same time, with expanding sales, producers of cotton cloth are firmly sticking to their quotations. Print cloths are fairly well stabilized by their curtailment program, viewed as a negative but effective expedient. Print production is well below present sales. Demand for cotton yarns has increased but the yarn spinners have not been able to take as wide a profit margin as have the weavers.

THIS ONE HAS HEAT

A natural gas well supplies heaters concealed in the rock piles; a mineral water well, also on the premises, makes the fountains go. This Los Angeles golf course cost $150,000

Raw silk prices are considered at bargain levels although the prospect for a marked advance is slight. In silk fabrics, present seasonal advances are well enough but are likely to taper off. Some gloom is expressed. However, granted that raw silk levels continue, there is a general feeling that 1931 promises steady improvement.

Knit Goods Improve

In the knit goods division, hosiery, underwear, and outerwear all show seasonal activity, and underwear more than that. One pithy comment on the raw material situation is that knitters and cotton yarn processors feel present raw materials are on a bargain basis but are somewhat hesitant because they thought that a few weeks ago. However, there is a bottom and the worst pessimists are not putting recovery further ahead than spring.

Rayon is in good shape, having expanded right on through the slump, though the industry lets its price structure sag to a new low due to overproduction. Now most producers are selling their full output. This will not take the surplus stocks but will prevent prices from going lower. The opinion is that current growth in demand is more than seasonal.

Wool Outlook Better

In wool, it would be an exaggeration to say that the outlook is optimistic, but it is improving. The Farm Board, which had nothing to do with silk or rayon and couldn't rule King Cotton, has succeeded in pegging wool prices which, though low, have not tumbled to the bargain basement.

Recent improvements in woolens and worsteds are traced more to reductions of stocks through output curtailment than to increased orders. Woolen men are the most conservative of textile people and will not cooperate as well as others. Still, wool demand did not sink so low during August as did cotton and cool spells have helped women's wear to show more promise than was anticipated. Wool always is seasonal. This year hand-to-mouth buying has kept store stocks low so there is bound to be a steady demand on this account which is picking up in some lines.

What STROMBERG-CARLSON does when JOHN SMITH in the Bronx wants a RADIO SET TODAY!

WITH a tremendous number of outlets, large and small, in the New York market, Stromberg-Carlson requires hair-trigger distribution service—so that a single receiver or a truck load of sets can be delivered to their most remote metropolitan dealer, quickly and safely

Sets, tubes and speakers can't be thrown about like bean bags. They must be carried tenderly and set down gently.

What does Stromberg-Carlson do when John Smith, in the Bronx, wants a radio set—today? Nothing—nothing at all. But capable, experienced Bush Terminal men do things—and John Smith gets his Stromberg-Carlson set, *today*.

Stromberg-Carlson has found it easier and less expensive to use the Bush Distribution Service than to build and maintain an organization of its own. Bush trucks, men, buildings, organization—these are completely Stromberg-Carlson trucks, men, buildings and organization, as Stromberg-Carlson requires. Orders are filled quickly, carefully, from the ample stock always on call at Bush Terminal. Stromberg-Carlson pays for space, service and facilities only *when, if* and *as* they are needed.

THIS SAME TYPE OF SERVICE IS BEING UTILIZED SUCCESSFULLY BY OTHER MANUFACTURERS TO DISTRIBUTE MERCHANDISE IN THE METROPOLITAN AREA.

Is 50% of Distribution Costs Worth Saving?

A manufacturer who distributes his product with Bush facilities now pays $28,405.50 instead of $61,270, his costs when he maintained his own distribution organization. A saving of $32,864.50 each year. Rent alone was reduced more than 50% . . . Many costs entirely eliminated.

At Bush Terminal a broad, flexible, varied service provides production economies and distribution efficiency. Seven enormous ocean steamship piers; miles of railway sidings; massive warehouses; 6,000,000 square feet of floor space; cold storage; steam, power and heat in any quantity. Highest standards in receiving, storing and delivering goods and unrivalled facilities for manufacturing or distributing on an "industrial apartment house" basis.

How can Bush help your business...?

We can't tell you in this advertisement except to say that Bush has solved and is solving so many diverse problems of production and distribution that it's hard to imagine any manufacturer or distributor serving the metropolitan area who could *not* be helped by Bush. Ask us for fuller details of the main service rendered by Bush. Descriptive literature on production and distribution will be mailed you on request. Specific questions will be answered in full by Bush expert service men, thoroughly equipped by long experience to help you discover just how Bush can help your business.

BUSH TERMINAL COMPANY

Metropolitan Facilities for DISTRIBUTION, WAREHOUSING and MANUFACTURING

Executive Offices: 100 Broad St., Dept. B, New York

Piers, Sidings, Warehouses, Truck Depot, and Manufacturing Lofts on New York Bay

It's Not the Shortage of Gold That Hurts; It's the Congestion

France and the United States Absorb It All, Do Little With It, Lend Little Abroad

THE great gold question now holds the center of the stage in discussion of the worldwide business depression. The net result so far, as a deputy governor of the New York Federal Reserve Bank said at a public meeting recently, is only to demonstrate how little is known about it. This confession of ignorance on the part of an official of the most influential banking institution in the world is the more disconcerting because economists and business men in nearly all countries apparently agree that this is the most important question facing the world today.

Diverging Views

Beginning with the manifestos of the Chamber of Commerce and the Federation of British Industries in England, and running through the statements and reports recently issued by Sir Henry Strakosch, for the London *Economist*, by the Gold Committee of the League of Nations, and the report on world gold reserves to be issued next week by our own Department of Commerce, many groups have added their quota to the discussion in the past few months.

There is no agreement on the first question in the whole problem which has been agitated for several years; namely, whether the amount of new gold produced each year for addition to the reserves of the world's banks is sufficient to sustain the rate of expansion in the volume of credit needed to finance the normal growth of world production and trade. The financial authorities of South Africa as well as some mining engineers say there is no reason to fear that gold production will diminish or prove inadequate. The Gold Committee of the League of Nations, however, in its recent report says there will be a clearly apparent shortage of gold by 1934 unless there are marked changes in the economy with which gold reserves are used by central banks.

So far as the immediate situation is concerned there is fairly general agreement on one thing: That the present worldwide business depression is related in some way, not tc an actual shortage of gold, but to a wastage and a maldistribution of existing gold reserves. Our own Department of Commerce is apparently inclined to minimize this fact by pointing out that the ratio of gold and foreign exchange reserves to currency notes and deposit liabilities in most countries has actually risen during the past year. This may be true, but it does not mean that the gold reserves of the world's banks have risen; it means that the amount of credit and currency purchasing power based upon reserves has contracted faster than, or has not increased as fast as, the reserves have. This is evidence only that the world as a whole has been going through a drastic process of deflation during the past year or longer. Such deflation unquestionably has a direct relation to the worldwide business depression.

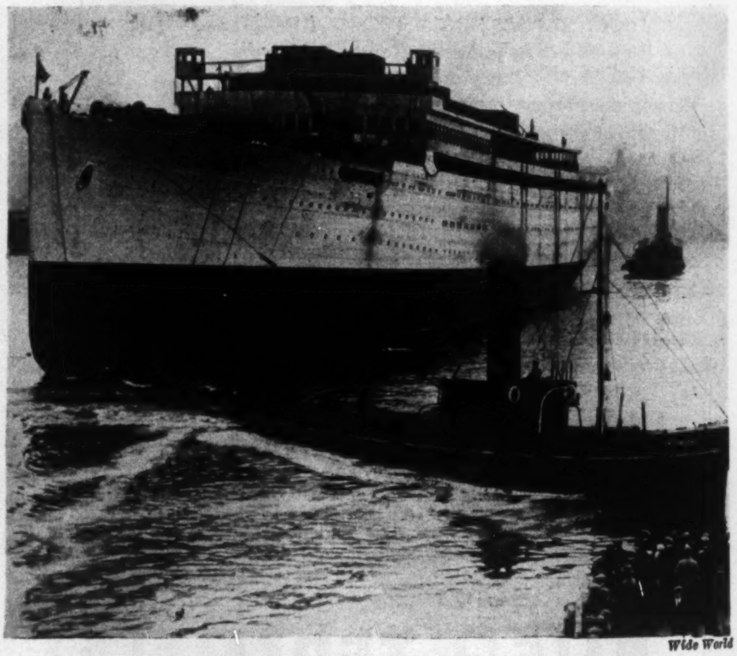
In any case it is clear that heavy restriction has been put upon business in many countries of the world in the past 20 months as the reserves of their central banks have declined. This sapping of reserves and restriction of credit has led to economic difficulties in many countries, which in turn are bringing political troubles currently.

The accumulation of gold in France and the United States has deprived the remainder of the world of its normal and needed supply of gold and therefore of credit with which to do business. And the ill effects of this accumulation have not been offset by foreign lending by the two gold-holding nations. France for years has not lent abroad in appreciable amounts. She has even been borrowing abroad recently. In 1929 the United States cut its foreign loans in half and thus far in 1930 has not done much better.

Evidence of Deprivation

The evidence of this deprivation can be shown in three ways:

1. The increase in the monetary gold stock of the world since January, 1929, totals $759 millions. The increase in the monetary gold stock of France and the United States combined during the same period totals $908 millions, $388 millions by the United States and $520 millions by France. In other words, during 20 months these two nations have taken from the remainder of the world $148 millions of gold, besides all the new gold.



Wide World

QUEEN OF THE PACIFIC

The Reina del Pacifico, new 17,000-ton motor ship of the Pacific Navigation Co., just after launching at Belfast. She was christened by Lady Kylsant

As a result, either the credit structures of the nations that lost the metal had to be reduced by that amount, or central bank credit substituted. This substitution takes place to varying extents as permitted by law in various nations, but can not go on indefinitely. Too, the unwillingness of the central bank to extend additional credit, no matter how badly needed, increases with the amount of such substitution.

22 Countries Lose

2. Examination of the statements of the world's leading central banks shows that reserves of 22 of them have decreased either during the past few months or during the period as a whole.

The 22 countries whose reserves now stand lower than in January 1929, or that have shown decreases more recently as a result of the imports of France and the United States are: Italy, Japan, Bulgaria, Chile, Colombia, Danzig, Denmark, Estonia, Greece, Latvia, Lithuania, Holland, Norway, Peru, Poland, Roumania, Jugoslavia, South Africa, Spain, Sweden, Australia, and Germany. Canada and Argentina have had to go off the gold standard.

Sapping Gold

3. The continued sapping of gold by the United States, especially from Japan and Latin America, has been continued almost every week through 1930. The net imports have totaled $183,279,000. Total imports were $273 millions, with exports of $90,523,000. From every nation except England, France, and Germany we have taken more gold this year than we have shipped. (Available figures extend only through August.)

The fall of discount rates and other interest rates in most countries during the period appears paradoxical in view of these facts. But that a sharp difference exists between the available supply of funds and the rate charged has been pointed out in *The Business Week* heretofore. Low money rates in the present situation are evidence only that there is a surplus of short-term funds and a dearth of demand for them. Confidence in long-term investments, domestic and foreign, is lacking and the drain upon the gold reserves of some countries has made it increasingly difficult for their banks to extend long-term credit. Recent increase of the German Reichsbank's discount rate to 5% from 4% is evidence of the force of the restriction. Should the present tendency continue, other nations are likely to be forced to follow the Reichsbank upward.

COSTS
CAN BE REDUCED

YPS Engineers Revolutionized Washing Machine Designs

COSTS can be cut, "eye value" added, weight reduced, breakage eliminated, and strength increased by redeveloping products into pressed steel.

The book shown here, "Adventures in Redesign," has eighteen pages showing how YPS Redevelopment Engineers have helped cut production costs for manufacturers in many different industries. It shows, too, how these engineers have helped in the development of new products.

You can use this COST CUTTING service—without the expenditure of a single dollar — without the slightest obligation.

Send for this "FACT" book today and let us tell you more about YPS service—pin this coupon to your business letterhead.

THE YOUNGSTOWN PRESSED STEEL CO.

ADVENTURES IN-REDESIGN

"PRESS IT FROM
STEEL INSTEAD"

YPS

***THE YOUNGSTOWN
PRESSED STEEL COMPANY
110 University Road, Warren, Ohio.***

Please send me a copy of your new free book, "Adventures in Redesign."

Name .... **Title** ....

....

Germans Say Economic Changes Require Young Plan Revision

By Special Cable to The Business Week

THOUGH the success of the $125-million loan for Germany is practically assured, it has not ended German interest in the possibility of demanding a moratorium on reparations payments and obtaining eventual revision of the Young Plan terms. Whatever the general opinion of Hitler's Fascist platform, public consciousness has certainly been roused over this issue.

In justice to Germans it must be admitted that the general attitude is not one of offhand repudiation of the debts but of adjustment of the Young Plan to fit new economic demands. Since Hitler's first radical proposal to adopt a program of reparations readjustment, the Farmers' Union and the Economic Party have passed resolutions favoring a moratorium. The Farmers' Union is represented in the Bruening coalition cabinet by Herr Schiele, Minister of Agriculture; the Economic Party, until this week, by Herr Bredt, Minister of Justice. Equally significant is the move by Socialist miners through their *Bergbau Industrie*, to support the move.

Justification Offered

According to German opinion, the following circumstances justify the demands: (1) The present acute business depression was not foreseen when the basis of the Young Plan was discussed and the German capacity to pay was determined; (2) the gold value of reparations has appreciated beyond the 10% foreseen in the Dawes Plan as a condition entitling revision, a condition perpetuated in the Young Plan through the wording "special economic difficulty or distress"; (3) reparations payments under existing conditions are considered responsible for the present German shortage of capital compared with the plethora of funds in competitor nations. This, in particular, is prejudicing economic recovery in Germany and jeopardizing the country's ability to sustain reparations payments.

Despite all the demands, thoughtful members of the Reich are considering the problem of whether the economic and fiscal advantages of a moratorium will exceed the detriment to German foreign credit, inasmuch as Germany is highly dependent on foreign deposits. In the last estimate, these were listed between $1 and $2 billions.

With a foreign loan from American, Swedish, and Dutch bankers practically consummated, moratorium sentiment is likely to diminish. In the interim some solution to Germany's financial difficulties may have been found.

Canada Closes Market To Russian Coal

Special Correspondence, Ottawa

CANADA has struck the first of the blows against Soviet imports foreshadowed when Premier Bennett obtained from the recent special session of Parliament authority to prohibit importation of the products of any country not a contracting party to the Treaty of Versailles.

Russian coal, which has been entering the Dominion in substantial quantities, is being shut out—officially in retaliation for what Canada sees as efforts of Soviet agencies to demoralize world grain markets, hitting the Dominion in a particularly tender spot.

Agreement by Canadian coal importers to Ottawa's suggestions that they place no further orders in Russia made it unnecessary for Mr. Bennett to invoke his special authority this time, except possibly to make his suggestions obviously mandatory.

—

By Special Cable to The Business Week

London has puzzled long over the probable motive for Russian dumping, has concluded it is the need for foreign exchange. For several reasons:

Next to oil, the Soviets depend on lumber exports to furnish foreign credits. England has kept careful check and believes the Soviets have failed to meet their schedule for lumber exports. The program called for the export of 1 million standards. The British believe scarcely three-quarters of that amount has been sold abroad. At the average price of $45 a standard, this alone means a deficit of nearly $20 millions.

The real triumph for London, however, came when the Central Softwood Buying Association, a syndicate of 14 leading British importers, signed a new contract with the Soviets which gives them a virtual monopoly on the imports of Soviet lumber. Because this is a renewal of a contract which expired in 1929, England views it as a capitulation on the part of the Russians who have

Wide World

RUSSIA TRIES FOR THE CHRISTMAS TRADE

Unlike wheat and pulpwood, Soviet handicraft is popular in America. Gift shops bought $75,000 worth last year; an equal amount in the first 3 months of this year. Rugs, pottery and wooden ware are the most important items in this display at the Amtorg salesrooms had difficulty selling in the London market which they have so badly upset this year. The new contract is for maximum imports in 1931 of 600,000 standards instead of Russia's scheme to send 750,000. The new contract price is £11 10s c.i.f. The softwood association, according to the contract, will attempt to sell on the British market at £12 5s. This compares with recent market rates of £13 15s, and with the agreed price in 1929 of £15 10s. The normal total of English lumber imports is 1,600,000 standards. It is expected that the agreement, by removing the uncertainty of Russian imports, will stabilize prices at lower levels.

London, in the meantime, is filled with rumors, the most disturbing of which is the persistent report that Russia is preparing to launch a big dumping campaign in England next year. If the Five-Year Plan succeeds, Moscow will be shipping out of Russia the products of huge manufacturing plants, the present equipment for which is being bought in England. Germany has already seen the effects of the scheme. Match machines, sold to the Russians on large credit arrangements, were set to work in Russia to produce matches which flooded German markets.

Big Firm Cuts Wages; Britain Watches Result

By Special Cable to The Business Week

J. BIBBY & SONS, LTD., of Liverpool, Britain's largest cattle cake manufacturers, posted announcements this week that wage and salary cuts would become effective at once, would begin with the president of the company, and would include all employees. It was explained that the sacrifice is necessary to keep the business going at all; the fall in the cost of living should mean that the sacrifice in real wages would be slight.

All London is aware that without any publicity, many firms have taken similar steps by appealing to their higher paid executives to sacrifice some part of their salaries. The size of the firm makes the Bibby move particularly significant. The appeal of the workers' unions to avoid the step will be followed closely for the precedent at stake. Both employers and labor recognize that the continuance of the slump means either wholesale staff reductions, which all companies are trying to avoid, or a reduction of costs by means of voluntary reductions in salary.

The problem is not confined to manual industries. The Union of Journalists

We type orders in Seattle . . .
Ditto copies invoices in New York
. . . without re-writing!

". . . and the same with orders from all our branch offices. And that isn't all! Our orders are filled 48 hours quicker than before. We save $3,000 a year in our billing, and eliminate errors. One Ditto machine does this, costing less than *one-tenth* of our annual savings! Here's precisely what happens:

"With Ditto, our orders, billing, shop costs and production records, shipping and sales analysis forms are all governed by one system and one control—all copied from the original writing. Needless typing is done away with. All office and plant operations are speeded up; within one hour after order is received, it is billed and identical copies are on the way to all departments."

▾ ▾ ▾

Billing, in all its phases, invariably improves by applying the Ditto principle . . . fits all lines of business without disturbing existing systems.

The coupon attached to your letterhead will bring a free booklet, "Cutting Costs With Copies"— tells how Ditto handles purchase-receiving and factory production sets, card records and payroll forms, and many other routine operations.

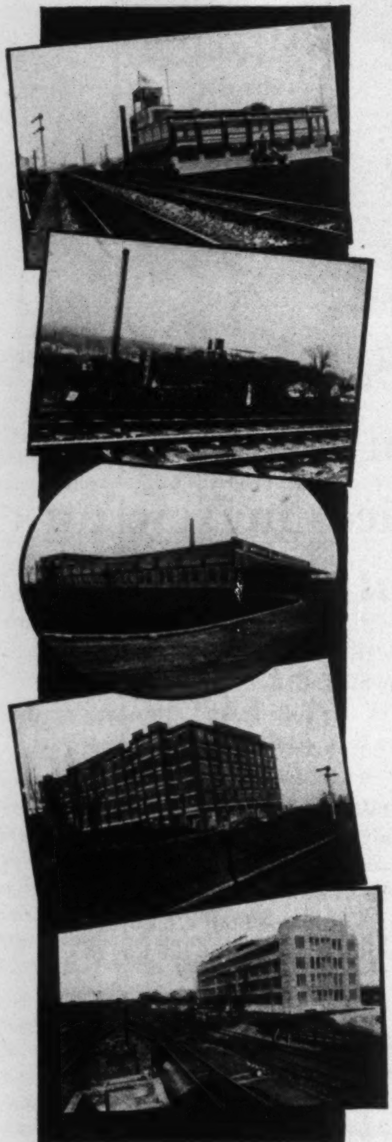
DITTO INCORPORATED
Duplicating and Billing Equipment
2271 W. Harrison Street Chicago, Illinois

Ditto Incorporated, 2271 W. Harrison St., Chicago, Illinois
You may send your booklet, "Cutting Costs With Copies."

***Name*______________________________**
***Address*____________________________**
***City*_______________________________**

Cutting Costs With Copies

Establish your own Factory in England



..easy to do economical to operate

Stop paying heavy customs duties . . . unnecessary over-seas transportation charges. American goods can be manufactured in England . . . factory sites are easily obtainable . . . operation is exceptionally economical because of the lower cost of British labor.

Let L.M.S. — Britain's dominant railway system—show you how and why "British Made" American products reduce overhead and give you greater profits.

L.M.S. offers a most unique and entirely free service to American business men who contemplate manufacturing in England. Photographs . . . plans . . . information as to power and water supply. Municipal rates . . . type of labor available. Also a complete listing of factories for sale or rent.

Remember: American goods manufactured in Great Britain become British goods. Products bearing the stamp "Made in England" reduce selling resistance not only in England but throughout the British Empire.

LMS
GREAT BRITAIN

London, Midland & Scottish
Railway of G. B.

LONDON, MIDLAND & SCOTTISH CORPORATION
Thomas A. Moffet, Vice President-Freight Traffic
1 Broadway, New York City

is finding its out-of-work insurance fund inadequate. An appeal was issued this week to all members to refuse work on an overtime basis and not to fail to take the one night in 14 which is allowed to all workers.

London now concedes that the slump has reached the stage where employees are asked to make sacrifices, not to maintain dividends, but to keep the firms solvent and in existence.

Finds New "Cushions" For Unemployment

At the height of the employment slump this summer, Whiting Williams, widely known personnel counsel and writer on industrial relations problems, followed an example set by him during previous industrial crises and mingled, as one of them, with the unemployed of Chicago, Detroit, South Bend, Gary, Cleveland, Toronto, and Montreal, to obtain their real reactions to current conditions.

He discovered, first, that the typical American workman has an amazing ability to get along somehow under the most dire conditions—an exceptional lightness on his economic toes. However, this does not prevent him from being afraid of a cold and hungry winter, so Mr. Williams fears more industrial unrest than the country has seen in a long time should business men fail to take hold of the situation and relieve unemployment before severe winter weather arrives.

List of the Gains

In general, Mr. Williams finds conditions much more promising than they have been in similar periods of the past. He notes that few employers have taken advantage of the slump to cut wages; that workers now appear to have a better developed sense of ownership in their jobs; that available work has usually been spread out among the largest possible number of workers. He was surprised at the number of unemployed who manage to keep neat and clean, to retain ownership of an automobile, to have savings accounts, own homes or securities; found some explanation in the fact that, with the increasing employment of women, the family financial support is broader.

Mr. Williams believes that these developments represent a greater cushioning effect for unemployment than has been experienced before; that they help to explain the unemployment census and make the psychology of the present situation better than its arithmetic.

Swift Survey of Business Abroad

EUROPE

By Special Cable to The Business Week

On top of disappointed expectations for a seasonal recovery of business, there are some real causes for anxiety and for the thoroughgoing pessimism which is prevalent in all commercial centers. The protraction of German uncertainties and persistent outflow of capital along with talk of a moratorium; continued unrest in Eastern Europe; further depreciation of the Spanish peseta and reports of a sharpening republican movement against the established régime; the churlishness of France in abstaining from participation in the international credit for Germany; Wall Street failures and the general weakness on the stock market; the spread of civil war in Brazil; fresh alarmism, though due to no fresh evidence, of Russian dumping; and pernicious price anaemia on the metals markets notwithstanding improved statistical positions—these are the outstanding shadows in the business gloom.

England, in a burst of enthusiasm, oversubscribed the recent treasury issue so generously that Chancellor Snowden was in a position to auction off the bonds to the highest bidder with the result that not only were immediate conversion requirements covered, but there was a surplus of $100 millions to utilize in reducing the floating debt. This improvement, along with oversubscription on the London Underground and the Ayre County issues, is indicative of a fresh stir of investment capital, though neglect of coincidental industrial issues shows investors still choosey.

Immediately the international credit of $125 millions was announced in Germany there was a pickup on the money and stock markets. With the Moderates and Extremists in conflict, this credit is adding prestige to Chancellor Bruening and at a moment when it can be appreciated by the more stable elements in Germany.

General business certainly is not good, but just as certainly is better than business psychology at the present moment. The new quarterly reports indicate that there has been little if any further recession in the last 3 months. Though it is now unlikely that any material improvement will manifest itself before spring, and despite the fact winter conditions are admittedly problematical, retrospectively business will probably view this autumn as marking the beginning of a gradual recovery extending over the next 2 years.

By Special Cable to The Business Week

Great Britain—Last week's optimism has failed to develop and business has dropped back into a state of stagnation. Coal sales have not revived with the coming of fall. Even the small industrial demand is threatened by strenuous foreign competition. Iron and steel, after a brief period of slightly revived business, has returned to a state of depression. Tin and copper continue to slump on unfavorable news from the United States. Hides and leathers are as inactive as a week ago, but there is a fair business in rubber and on a firmer basis. Cotton enquiries are good but orders are not increasing. Unemployment on Oct. 6 reached the highest figure since 1921. At 2,176,191 it contrasted with 2,161,689 on Sept. 29, and with 1,207,200 on Oct. 7, 1929.

The stock markets ended a bad week with two failures Friday due largely to reaction to the Wall Street slump and to bad conditions in Brazil, Germany, and Australia. Rumors of the pending failure of a third large finance house, if confirmed, are almost certain to precipitate one of the biggest crises in the City since the Hatry failure. In this case, however, no fraud is involved, only impossible commitments in South America. The unexpected issue of the $12 million loan for India at 6% was welcomed on the London money market. The offering of treasury bonds brought applications amounting to £116,310,000, on £105,000,000 of which tenders were taken. With the credit the government will cover January redemption of the war loan amounting to £75 millions, and the January redemption of other treasury bonds amounting to £11 millions, and apply the balance of £19 millions to a reduction of the floating debt. Refusal to take all of the money offered is construed by finance authorities to indicate that government officials expect low money rates to continue for some time.

While the Imperial Conference is debating empire tariff preference and a quota system for imports, news has reached London that Moscow is contemplating a big dumping campaign in England next year. By 1931 Moscow's Five-Year Plan will have reached a stage of mass production in a large number of industries, the products of which will be dumped in England to create export credits.

September foreign trade figures are disappointing. Total exports reached only £42,740,637, which is £12 millions below the totals for September 1929. Imports dropped £20 millions below last year, totaled only £78,651,726. A part of these losses is due to falling prices. The Board of Trade wholesale index on all articles for September this year was 69.5, which is 15.1% below the index for September 1929.

Rationalization continues in important industries. Most recent merger brings together the Tube Investments Co. with Stewarts and Lloyds, both leaders in the British metal tube industry. Each unit will retain its identity but research efforts will be combined and resources pooled in an effort to avoid duplication. England's leading tobacco company has cut the retail price on cigarettes from 1s for a package of 20, to 10½d. Other leading firms declare no price war is contemplated, suggest that the move is made in an effort to meet the demands of retailers for a removal of the coupon gift system. This brings to the fore the mooted question of lower prices versus the coupon gift system, with the odds favoring the disappearance of the gift system.

By Special Cable to The Business Week

France—With foreign trade and production declining, the gap is rapidly widening between rising retail and declining wholesale prices. Other factors depressing business sentiment are higher living costs, the plethora of idle capital, and political uncertainties both at home and abroad. The August production index dropped to 139 from 141 in July. At the end of September the wholesale index showed a further drop of 8 points, while the retail index was down 11 points. Car loadings for the last week in September were down 49,000. Gold continued to enter the country. The reserve is now nearly $2 billions, while circulation has soared $58 millions to the unprecedented total of nearly $3 billions. Despite many justifications for pessimism, authorities point out that the slowdown in recent months has not yet reduced activity below average levels in 1929.

The automotive industry is reported to be suffering something of a crisis. It is rumored that Peugeot, one of the leading popular car manufacturers, is experiencing serious financial difficulties. Voisin and DeLage, quality manufacturers, are reported to have been bought by the Hotchkiss Co. With current market conditions as they are, further industrial concentration is not improbable. The 1930 salon failed to measure up to expectations in dealer attendance and transactions were below those of last year. French cars dominated with 58 makes exhibited. Of the 44 foreign displays, 21 were American, compared with 28 last year. In the tire competition Michelin is losing ground to Dunlop. The latter is now selling overweight tires with a mileage guarantee and with payment only after the completion of the minimum mileage.

Local opinion is divided over the reaction to the failure of French banks to participate in the international loan for Germany. One side points out that an extension of credit is the best way to avoid German recourse to a moratorium on reparations payments, something in which France is primarily interested. Antagonists reflect the innate French suspicion of Germany, and the rather stupid attitude of questioning the value of sending French credit to Germany when German capital is itself leaving the country. Dispassionate onlookers admit that small participation on the part of the French would have been a conciliatory gesture to Germany, whereas conspicuous abstention is bound to be interpreted by Germany as a mark of hostility which will only aggravate already excited feelings. Hence there is tension in Franco-German relations and the domestic French political situation is again unstable.

The week's interest centered in the annual convention of the Radical Socialist party (a misnomer, for the party properly is the Liberals) which constitutes the strongest opposition group to Tardieu. It was decided at the meeting to continue the opposition bid for power which will be made possible only if the party can wean away from the Tardieu coalition the more progressive groups whose support makes Tardieu's majority possible. It is not impossible that the Radical Socialists can line up a new coalition which will be able to overthrow Tardieu when parliament reconvenes in November.

The Franco-American double taxation committee has concluded a new accord which is now before Washington for approval.

There is a report in Paris that some American talkie equipment producer has offered to install apparatus in the Paris legitimate theaters at its own expense for use at afternoon showings. Local feeling is running high. Both Western Electric and RCA authorities deny they are involved.

Josef Schratt
Oberstdorf

Wide World

Big Shoe

One of the features of the International Leather Show at Berlin was this huge shoe—complete in every detail. The whole German shoe trade was lifted out of the doldrums by unexpectedly heavy orders—a large part for export

The Galeries Lafayette, famed Paris department store, reports annual profits of $1,600,000, compared with profits last year of $2,400,000. Dividends have been reduced for the purpose of augmenting reserves.

By Special Cable to The Business Week

Germany — Despite uncertainties, prospects for a business pickup are not unduly disquieting. Hoodlum politics, which are characterizing the Fascist and Communist activities, can only be interpreted as a betrayal of weakness. Moreover, they are distinctly unrepresentative of the nation as a whole. It is true that the probability of a parliamentary coalition is momentarily dimmed, but the consummation of the large international loan at this juncture has brought personal prestige to Bruening and to his associates.

There is at the present time no probability of any development contrary to the orderly administration and observance of foreign obligations. It is significant that in the meetings of the presidents of the Bavarian counties, there was a rejection of the motion favoring a moratorium and a formal agreement that the government alone is qualified to decide if and when a request for the revision of reparations payments be made.

Notwithstanding the higher bank rate, the capital exodus continues, though in smaller volume. It no longer mirrors a stampede of professional, largely Jewish, capital from the country but is now primarily confined to small bourgeoisie who cannot forget the sufferings following the depreciation of the mark after the war. Reichsbank gold shipments since the election have totaled $90 millions to France and $9 millions to Holland, but reserves remain ample and currency stability so far is in no way threatened.

The announcement Tuesday that the foreign credit had been consummated brought immediate improvement on money and stock markets. The demand for foreign currencies virtually ceased, the mark rose against dollars, the unloading of bills ceased, and fears of a further increase in the bank rate evaporated.

The stock exchange strengthened appreciably. While uncertainties are by no means overcome, there are good grounds to anticipate greater stability.

Since the increase in the rediscount rate, private banks have raised their rate to 5%, indicating a desire to improve their liquid position and prepare for any politico-economic crisis which may arise. Further, the continued outflow of gold is tightening the money market and is bound soon to force the Reichsbank either further to increase the rediscount rate to the detriment of business generally or to introduce credit restrictions similar to those adopted in the panic spring of 1929 in order to check the private demand for foreign bills. The dominating factor in the present phase of the crisis is the appalling lack of self-confidence and the over amount of pessimism on the part of German business men everywhere.

The award of the arbitrator in the Berlin metal trades wage dispute grants wage reductions ranging from 6% to 8% and affecting 140,000 workers. Labor is excited, two-thirds of the workers voting rejection of the award despite the fact the original request of the employers was for a reduction of 15%. A strike has been called; wage disputes are expected to follow in all other centers of the German metal industry. The electro-technical industry has volunteered a 5% price cut on Nov. 1 if the arbitral wage decision becomes effective. German unemployment at the end of September, for the first time in the present crisis, passed 3 millions.

The annual report of the steel trust—Vereinigte-Stahlwerke—for the year ending Oct. 1, exceeds the worst expectations. Annual sales totaled only $45 millions, a drop of 13.5% below last year. On the basis of the 1928 monthly average, unfilled orders at the end of September were only 44% compared with 82% a year ago. Plants are now working at only 40% of capacity.

The Ruhr coal industry is in a state of prostration with stocks at the pitheads at a new record of 7,500,000 tons on Oct. 4, compared with 1,700,000 tons Dec. 31. A further bad omen in the depression is the uninterrupted decline in retail sales in July and August. They now lag 8% below last year compared with a 5% drop during the first half of the year.

Significant development this week is the pooled working agreement between the two leading groups of German mortgage banks—Preussische Central Bodencredit Aktiengesellschaft and Gemeinschaftsgruppe Deutscher Hypothekenbankan. This combine will be a decisive factor in dictating German mortgage credits. Of a total of $1,500,000,000 German mortgage bonds, $660,000,000 have been issued by the recently merged companies.

A bumper potato crop has necessitated government support of the market. A part of the burden is being carried by Maisenawerke, a subsidiary of the Corn Products Refining Co., which was forced by the government to limit its monthly corn imports to 6,000 tons and to utilize 22,000 tons of potato starch to replace cornstarch until the potato market ceases to be glutted.

LATIN AMERICA

Continued rumors of upset conditions in Venezuela, increasing pessimism in Peru, and problems in Cuba, fail to withdraw from Brazil the attention of the business world. Following another week of civil war the outlook for the future is no more promising. Despite a bit of optimism among certain business men due to the anticipated early terminating of hostilities, the general feeling of black pessimism both in Europe and the United States is being confirmed by delayed but uncensored reports.

Business, though hesitant, has not come to a halt. Volume is limited and the risk is increasing. With quiet prevailing in Rio de Janeiro and Sao Paulo, shipments are being received and some payments being made, though "on the quiet" because the government "holiday" is still in effect, will continue to be until Nov. 1 at least. Dealers in munitions are anticipating large orders. One consignment of American airplanes has already been reported shipped to Rio for the use of the Federals. With the food supply sharply curtailed, provisioners in Buenos Aires and Montevideo and in the United States anticipate some increase in orders.

Washington has received a large number of inquiries from airplane manufacturers, indicating that industry is alert for business incident to the political upheaval. There is no embargo on the shipment of aircraft, arms or munitions to Brazil. It is stated on good authority at the State Department that none is likely, but certain limitations are imposed by the War and Navy Departments. American manufacturers may ship either commercial or military planes to either established or de facto governments provided the military planes have been in production for more than one year. This stipulation is intended to prevent the disclosure of military secrets. Surplus war material may be sold by the Army and Navy, subject to the same limitation but only to a recognized foreign government. This would prevent the rebel forces from obtaining Army and Navy surpluses direct from these departments but any that are available on the open market may be shipped.

Close observers of the situation anticipate increasing dissension among the people of the southern part of Brazil with the probable result that real stability for the Rio government is going to be uncertain for some time.

"Opportunity Knocks Again"

Back in 1920-21, Commonwealth Edison 5's, American 5's and Atchison 4's were selling to yield over 7%. These bonds are now selling to yield about 4½%. Investors who grasped these opportunities have profited substantially.

Today

Associated Electric . . . . 4½'s of 1953
Associated Gas & Electric . . . . 5's of 1968
Eastern Utilities Inv. Corp. . . . . 5's of 1954
New England Gas & Electric . . . . . . 5's of 1950

can be purchased at prices to yield from 5-7¼%

As before, thoughtful investors who grasp this second opportunity to purchase sound debenture bonds such as the above, will reap the benefit of their foresight. They enjoy an active market on the New York Curb Exchange. Write for Circular P-263.

General Utility Securities
INCORPORATED
61 Broadway **New York**

We Present
A Better Substitute
for Malleable Iron

To secure a material of higher magnetic permeability for the frames of our direct current motors and generators, our metallurgists recently succeeded in electro-synthesizing a new ferro-alloy from purest raw materials—and in so doing made a contribution to all industry. Aremite, as this new alloy is known, has twice the tensile strength of grey iron and will cast more intricate patterns than cast steel. It is close-grained, nonporous, solid-cored and easily machineable—a substitute for malleable iron that can be produced in one-sixth the time! We are using Aremite with great success in the frames of our heaviest-duty electric hoists. It is ideal for all heavy-section castings, pressure castings, machine tool castings, punch holders, die shoes, pumps and similar uses. If you are interested in securing better castings in shorter time, let us tell you more about Aremite.

If you have a problem in electrical-motored machinery come to Robbins & Myers. We offer you the facilities of a completely modern plant and the experience of 32 years' precision manufacture in designing, building and applying electric motors, generators, fans and electrical appliances

Robbins & Myers. Inc.

Springfield, Ohio   Brantford, Ontario

1878   1930

FANS, MOTORS, HAND AND ELECTRIC HOISTS AND CRANES

Wide Reading

Public Services and the Public. Felix Frankfurter. *Yale Review,* Autumn. Commissions to regulate utilities have too often been mediocre. Frank discussion of weaknesses in existing regulatory bodies and suggestions for improving the service to the public.

The Private Brand and Its Load of Dynamite. Willoughby M. McCormick. *Sales Management,* Oct. 4. What is the significance of the recent rapid renewal of the move toward private brands?

The Preparation of "Printed Matter" for the South American Distributor. Philip W. Stone. *Export Advertiser,* October. The advertising manager of one of the largest importing houses in Buenos Aires tells what the "man on the job" wants and needs to expedite sales in South America.

Automobile Exports Turn the Corner. George F. Bauer. *Export Advertiser,* October. Manufacturers have new plans to meet unfavorable conditions in various foreign markets.

The Match Stick Colossus. J. F. Deck. *Foreign Affairs,* Autumn. Swedish Match—and Ivar Kreuger—cannot create a world match monopoly. Outsiders are too shrewd, too determined.

Copper: All-American Metal. Samuel Crowther. *World's Work,* October. New inventions, new alloys, new uses for copper, possible mergers—what will they mean for the future of this unsettled industry?

Heightened Insular Competition for American Cars Seen in British Plans. Herbert Hosking. *Automotive Industries,* Oct. 4. Stronger effort to get larger share of the light-six business by building cheaper models is a feature of new model offerings.

Riotous Saving. William Trufant Foster and Waddill Catchings. *Atlantic,* November. The needle of business disaster swings from excess of speculation to excess of thrift. Just now it is a riot of thrift that hampers business recovery.

How Architects May Cultivate Business. *Architectural Record,* October. Service suggestions to architects.

Techniques for Newspaper Reproduction. Harry L. Gage. *Advertising Arts,* Oct. 1. Striking illustrations from the vanguard of the country's designers.

BOOKS

The World's Economic Dilemma. Ernest M. Patterson. Whittlesey House, 323 pp., $3.50. Problems of population growth and vast industrial changes.

What's Wrong with Unemployment Insurance. Ronald C. Davison. Longmans, Green, 73 pp., 2s 6d. Criticism of Great Britain's contributory insurance with suggestions as to how it might be saved.

Investment Trusts Gone Wrong. John T. Flynn. New Republic, 276 pp., $1. Inside stuff about this latest engine of capital control; not at all laudatory.

South America. Clarence F. Jones. Holt, 798 pp., $6. Trade potentialities and developments for business man and broker.

What the Figures Show

THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY	*Latest Week*	*Preceding Week*	*Year Ago*
THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY	*87.5	†87.1	105.4
Production			
Steel Mill Operation (% capacity)	55	57	79
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$13,871	$13,896	$17,764
Bituminous Coal (daily average, 1,000 tons)	*1,551	1,517	1,876
Petroleum (daily average, 1,000 bbls.)	2,367	2,387	2,838
Total Electric Power (millions K. W. H.)	*1,860	*1,845	1,950
Trade			
Car Loadings (daily average, all classes, 1,000 cars)	162	158	197
Check Payments (outside N. Y. City, millions)	$5,483	$5,866	$6,656
Money in Circulation (daily average, millions)	$4,521	$4,517	$4,822
Wheat Receipts (1,000 bushels)	9,988	11,512	9,079
Cotton Receipts (1,000 bales)	833	787	943
Cattle Receipts (1,000 head)	*233	†239	230
Hog Receipts (1,000 head)	*428	†409	493
Wool Receipts (1,000 lbs.)	3,034	3,259	3,322
***Prices** (**Average for the Week**)*			
Wheat (No. 2, hard winter, Kansas City, bu.)	$0.75	$0.73	$1.25
Cotton (middling, New York, lb.)	$0.103	$0.104	$0.187
Iron and Steel (composite, ton)	$32.24	$32.32	$36.24
Copper (electrolytic, lb.)	$0.098	$0.098	$0.178
All Commodities (Fisher's Index, 1926-100)	82.9	82.3	94.7
Finance			
Total Loans and Discounts, Federal Reserve reporting member banks (millions)	$16,813	$17,013	$17,269
Commercial Loans, Federal Reserve reporting member banks (millions)	$8,545	$8,530	$9,582
Brokers' Loans, New York Federal Reserve member banks (millions)	$2,752	$2,905	$6,801
Federal Reserve System Ratio	80.9	81.6	73.1
Stocks Sold (N. Y. Stock Exchange, 1,000 shares)	21,076	16,684	19,140
Stock Prices (N. Y. Times, average 50 stocks)	$173.09	$181.60	$294.65
Bonds Sold (N. Y. Stock Exchange, par value, thousands)	$79,651	$62,254	$56,081
Bond Prices (Dow, Jones, average 40 bonds)	$96.88	$97.62	$92.16
Interest Rates—Call Loans (daily average)	2.0%	1.9%	6.2%
Interest Rates—Time Loans (daily average)	2¼-2¾%	2¼-2½%	8½-8¾%
Business Failures (Dun, number)	473	447	368

***Preliminary** **†Revised**

GENERAL business opinion continues to be colored by the uncertain gyrations of the stock market and to ignore many statistical evidences of at least a measure of stability, if not strength in the business situation. Our index of general business activity, based on eight important trade and production indicators, adjusted for price changes, seasonal variation, and long-time trend, has moved steadily upward in the past five weeks from a low of 83.6% of normal at the beginning of September to 87.5% for the second week of October. The revised index of the preceding week stands at 87.1%, due principally to building construction and carloadings data which were higher than anticipated. A year ago the decline in the index brought activity to 105.4% of normal. The production components of our index have moved at approximately 20% below normal for the past two and a half months, reaching a new low in the past week of 79.6% of normal, while the combined trade series have moved sharply upward from the low of 86.4% of normal early in September to 94.1%.

Unfilled Orders for Steel

The report of unfilled orders of the U. S. Steel Corporation for Sept. 30 showed a tonnage of 3,424,338 compared with 3,580,204 in August, a decline of 155,866 tons, somewhat less than estimated. The fact that the decrease was fairly modest compared with that of 441,851 tons in August is attributed to the partial observance of Labor Day in many mills and a moderate increase in new business for future, rather than immediate delivery. Though the total unfilled orders are the lowest ince May, 1928, when 3,416,822 tons were reported, officials are satisfied with the tonnage in view of general business conditions.

Weakness in steel, pig iron, and steel scrap prices coupled with reactions in the grain and securities markets has revived conservatism on the part of steel buyers, according to the *Iron Age.* But confidence in the underlying situation of low inventories, excessive caution, and good shipping volume of numerous small orders has aided the determination of producers to hold prices near the present levels. Youngstown mills are refusing the extension of present prices on rolled steel for the first quarter of 1931. Rail orders, while small, are becoming more numerous, giving support to the market when automotive demand is slack. Tonnage placed this fall to date totals 225,000 tons compared with 350,000 a year ago. The decline of only 3% in the automobile production of the United States and Canada for September lends support to the belief that the situation in this industry has been exaggerated. Fisher Body Co. has reopened its assembly line at Cleveland, while Chevrolet is reported to be laying in large supplies of pig iron before the Great Lakes close. Structural steel demand continues firm.

Steel ingot production for the week ending October 13 as estimated by both the Dow, Jones Co. and the *Iron Age* declined to about 55% of capacity. These estimates have been out of line in the past few weeks with the September report of the American Iron & Steel Institute which reported operations at 55% of capacity. Little change has undoubtedly occurred since September in production activity, while the prospects are that the remainder of the year will witness no material reduction. Our adjusted index of steel ingot production declined to 76.8% of normal compared with 80.8% the preceding week.

Building contracts awarded in the 37

states east of the Rockies, according to F. W. Dodge Co., for the first nine business days of October totaled $136,408,000, which indicated a daily rate 19% higher than in September and only 11.5% below October, 1929. Residential construction accounted for nearly 27% of the total and continued the improvement shown in September, with a daily rate 7% above that of the preceding month. Large awards for pipe lines brought the awards for public works and utilities to $62,174,500, over 45% of all contracts. Our adjusted index based on the Dodge figures was revised sharply upward for the preceding week to 74% of normal, since our estimate of awards fell considerably below the surprisingly large totals reported. The index declined in the latest week to 72.8%, due principally to the dropping of the exceptionally high index of five weeks ago in our 4 weeks average rather than to any declining trend in the figures for the present week. Reports on building permits issued in the United States for September as compiled by Bradstreet's and the S. W. Straus Co. confirm the high level of building activity for September as discussed in the last issue of *The Business Week* on the basis of the Dodge figures of contracts actually placed.

Coal and Oil Production

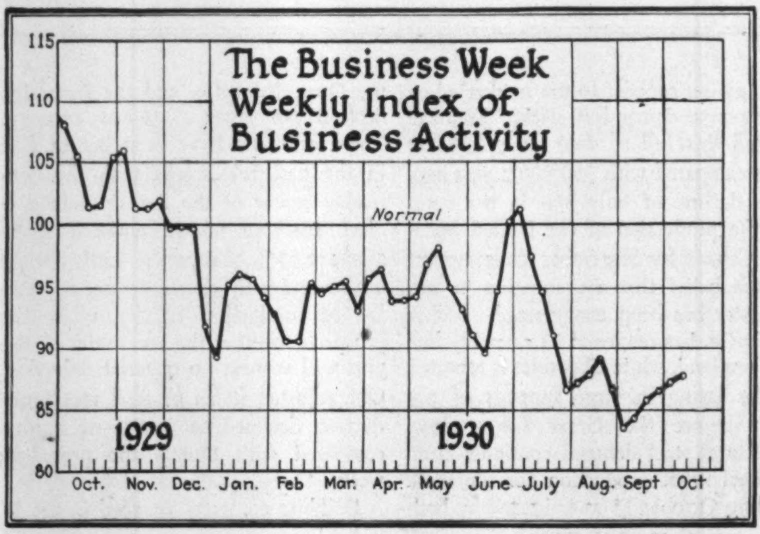
Bituminous coal production continues a moderate upward trend, our adjusted index for the first week in October reaching 71.1% of normal against 70.1% the preceding week. Continued efforts to control crude oil production have driven the daily output steadily downward to June, 1928, levels.

Electric power production turned upward again regaining practically all lost in the drop of last week, though not gaining on the spread between 1929 and 1930 which now is about 4.6%. Our adjusted index rose from 94.3% to 95.1% of normal.

Car Loadings

After a disappointing showing for the last week in September, car loadings spurted sharply upward in the first week of October to 972,492 cars, due to increased loadings of miscellaneous, less-than-car-lot, coal, coke, and live-stock freight. In the past two years, the peak of car loadings was reached at the end of September, after which a steady decline set in, but it is not unusual for peak loadings to occur late in October, as in the years 1927, 1926, 1924, and 1922. The rise in both miscellaneous and less-than-car-lot freight is a favorable and significant indicator of fall trade activity. Our index based on these two classifications, adjusted for seasonal variation and year to year growth, rose from 82.1% of normal to 83.5%.

The volume of check payments in 140 cities outside of New York fell 6.5% from the preceding high total which was influenced by October 1 dividend and interest payments. The drop was less than that of comparable weeks in 1928 and 1929, when a decline of 12% to 14% took place. This apparently indicates that stock market activity influenced the totals of the past week. Our adjusted index for the latest week rose from 94.8% of normal to 98.1%. That the sizable totals for the week were not due exclusively to stock market demands, but also represent improvement in general trade, is indicated by the small drop of less than 2% during the week in the group of 131 cities outside of financial areas.



The Business Week's weekly index of general business activity, first of its kind, is based on eight series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation of the index see *The Business Week*, May 7, 1930, p. 39.

Money in circulation continued the increase of the preceding week, but not sufficiently to make more than a fractional increase in our adjusted index which rose from 100.8% of normal to 100.9%. Life insurance sales in September were 1.2% below a year ago, but the nine months' total is slightly ahead of 1929. The September foreign trade report shows the customary rise in exports though not as great as in preceding years. Foreign purchases of cotton and wheat at record low levels have swelled the export totals, which are 27% below a year ago without allowance for a 15% drop in wholesale prices. Imports also rose less than 5% over August, but the usual trend for the month is downward as in six of the past ten years.

Fluctuations in Prices

Grain prices have fluctuated more in accord with the stock market than on the basis of the crop news.

Too little emphasis is being given to the effect of the continued poor pasturage and high feed prices on the supply of cattle for the coming year which is a major agricultural income producer, vastly more important than wheat. A recent statement of the Department of Agriculture indicates that the shipment of cattle and calves into the eleven corn belt states during July through September was 29% smaller than 1929, 30% below the five-year average.

Steel prices weakened while copper remained steady in face of the disappointing report on copper stocks.

Money and the Market

FINANCIAL markets saw the declines of preceding weeks checked, at least temporarily, this week. The past few days have been a nervous calm. One storm has ended and the financial community wonders what is next. Stock prices fluctuated within a narrow range during the week. Money rates were unchanged despite the incidence of mid-month demands. The bond market also held steady after declining from its highs last week. The Federal Reserve continued to dawdle.

The outlook is clouded so much that professional market advisers generally are advocating a period of waiting until better estimate of the outlook can be obtained. Those with the courage to advocate further commitments advise investment of only a part of resources. Near-future prospects are beclouded both by the number of uncertain factors and the difficulty of evaluating them. Without attempting to show their relative importance, the following lists of forces now affecting the market can be set down to sum up the grounds for uncertainty:

Favorable Factors

1. Increase in volume of trading to an unusually high point, followed by a slump, indicating the end of the present movement of prices;

2. Yield on good common stocks approaching and exceeding rates paid by savings banks (average yield of a large number compiled by Standard Statistics, 5.4%);

3. Probable reflection of expectation of business recovery early next year, now that disappointment from failure to recover this year has been discounted;

4. Very strong indications that money rates will remain low for some months to come;

5. Considerable liquidation of security loans. Reporting member bank loans of this type dropped $215 millions this week to the lowest total since mid-May. Brokers' loans declined $153 millions to lowest since early 1927;

6. Thorough deflation of the great majority of the list as indicated by ratio of price to earnings;

7. Impending covering purchases by the large bear interest operating in the markets;

8. Liquidation in the blue chip issues, now in progress, which generally indicates the last stage of depression.

Dubious Factors

1. Prevailing skeptical attitude of investors following numerous disappointments in stocks;

2. Ditto regarding business;

3. Possibilities of further cuts in dividends, as earnings in many cases are very near the danger line;

4. Doubt if the blue chip issues are yet thoroughly deflated. Present pressure is almost entirely on these issues, and their prices are considerably higher in relation to earnings than the great majority of issues;

5. General fear that additional failures may result from the present decline (this was partly alleviated this week);

6. Continued hammerings by bears, who are unconvinced that present prices are justified;

7. Uncertain political and economic situations in a number of foreign nations;

8. The fact that the market has not yet tested the bottom thus far established on the present decline;

9. Increasing preference of investors for the greater safety and surer yield offered by savings banks, preferred stocks and bonds;

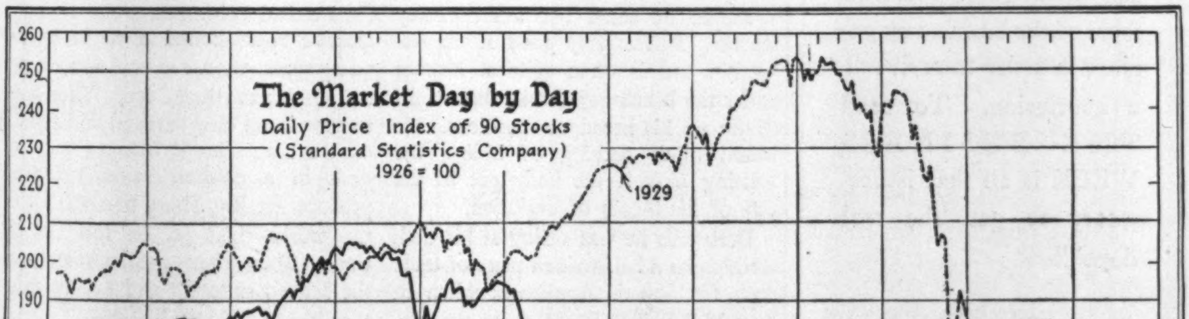
10. Continuing doubt as to whether present income tax rates will continue, or if the higher 1928 rates will be restored;

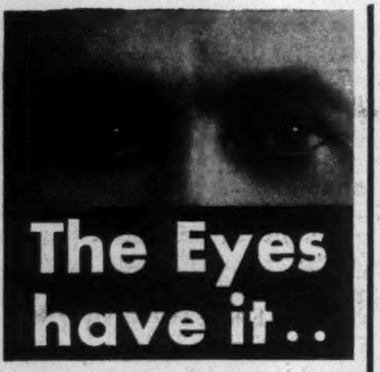
11. Failure of the bond market to develop needed and expected strength.

Declines for the Year

Present stock price levels are approximately 45% below those prevailing a year ago at this time. Divided into the 3 main groups, the averages used in the chart below have declined from last year as follows: Industrials, 116.9 points; rails, 59.5 points; utilities, 167.6 points. The drop for the 90 stocks combined is 113.2 points.

Abroad, the week saw two interesting movements resulting from financial stringency in two nations: (1) Argentina shipped gold to New York in order to support the peso and for debt services. This was the first such shipment since that nation closed the Caja de Conversion and went off the gold standard Dec. 16, 1929. The present move does not necessarily presage an immediate return to gold payments; (2) Officials of the Bank of Spain went abroad in a renewed effort to obtain gold and credits to support the peseta.




The Eyes have it..

WHAT we see, we remember. What we remember, we use. If you want your engineers and key men to see equipment which will lower your production costs, reduce your payroll, improve your product and open new market possibilities—if you want your men to bring you these advantages—send them to the National Exposition of Power and Mechanical Engineering in New York. A week there is a post graduate course in engineering—through the eyes—for immediate use. Send your best men—include yourself.

Ninth National Exposition of Power and Mechanical Engineering
GRAND CENTRAL PALACE—NEW YORK
December 1 to 6—1930

"THE REAL DOPE"

"The business man who wants a quick survey each week of general business conditions must make himself a statistical hound in most of the business magazines in order to arrive at a conclusion. To read THE BUSINESS WEEK is all that is necessary to get 'the real dope'."

THIS paragraph from a reader's letter sums up what many have written us lately.

THE BUSINESS WEEK

The Dublin Letters

To Mr. George Clark, Enlarging Upon a Small Incident

Atlantic City
April, 1928

Dear George:

I was glad to get your newsy letter. I particularly appreciate that part containing your affectionate estimate of this year's net. Your sly quip about my not retiring while business keeps as good as it is, also noted.

Don't worry, George. I'm on my way out and won't give many more farewell performances. BUT—I need a couple extra yards of velvet for my going-away trousseau. Something in a nice green mazuma shade, rich yet conservative.

Thanks for your inquiry about Mrs. Dublin. Atlantic City has done a good deal for her convalescence.

Now the Bailey-Thomas rumpus. I didn't pay much attention to that at first, being more intrigued by the fiscal portion of your letter. But Derby Thomas brought it to the front by suddenly appearing here Wednesday night like an acrobat shot up out of a trap door. You probably know of Derb's little excursion by now.

I asked him if you had given him permission to leave the office and he said "No" and glared at me. He had just slipped his leash and come on down. I could see that his soul was frying in the fat of acute homicidal desire.

The story Derb tells me is somewhat different from the one you say Phil Bailey told you. I guess Phil left out a couple of small but imflammatory touches. Phil is very good at impressionism and is quite agile at kicking under the bench any details that might clutter up his broad compositions. He would think nothing of hiding the Missing Link if the body got in the way of his theory of evolution.

Derb tells he was sitting at his desk working on a half-written piece of trade copy for Superb Appliances when in trots Phil Bailey, hooks on to the ms., gives it a fast once-over, throws it back on the desk and says: "Impossible!" Then—according to Derb—Phil goes through the connecting door into Archie Bellamy's office and says loud and important-like: "Hey, Archie, we can't have any young college whiffets on the Superb account at this stage of the game."

Phil, it seems, had left the door open on a crack and Derb's ears sucked in the *pronunciamento.* This, obviously, stung Derb right on the ego and he sprung in to Archie's room and peremptorily asked Bailey who he was. What followed was an exchange of opinion between the two men regarding each other's status in the human race. Naturally I can't repeat the dialogue verbatim, but it was undoubtedly drenched with candor—and it terminated with Derb's offer to donate Phil a paste in the jaw.

And Derb said to me it wasn't too late yet to give Bailey a paste in the jaw.

Just between us—extremely *entre nous*—the idea of Derb pasting Phil Bailey in the jaw gives me a secret and cussed pleasure. If the Dublin Agency were not supposed to be a collection of the best civilized minds and not a den of gorillas, I would possibly say to Derb: "All right, go ahead and swing on the guy." As it is, I suppose I have got to line myself up on the side of how to be a gentleman in business relations.

In this here Bailey-Thomas fracas we have a classic example of what I term neck-breathing. A neck-breather is a critic out of bounds, who usually carries some kind of a five-cent badge of authority, which permits him to commit psychic murder throughout the county he inhabits.

It's the creative people who attract the Percival Pokenoses. And, since the creative boys abound more or less in ad agencies, we are almost sure to find neck-breathers there, too. They love to prowl and creep around and pounce on the man who is humped over his desk in a cerebral sweat trying to produce the Big Thing that will knock the world right off its little bicycle track. Then right in the middle of the feller's suffering and patient ardor they like to whisper: "'Srotten!"

Neck-breathers don't wait until the job is finished and then legitimately open to comment, good or bad. They specialize in *prematurity.*

I bespeak for every one who has to write a piece of ad copy or a book, paint a picture or a fence, compose a symphony or a bowl of biscuit dough, the privilege of doing it in a sacred privacy without the tiniest jot of interference. The pain and the wrestle with one's own anxious thoughts and self-respect is sufficiently humbling while the process is going on. No self-appointed commentators are needed and there is no gain in the dread that one is hovering thereabouts. And nothing is so disheartening—so disorganizing to the creative hour—as to have the unbidden critic sidle up behind you and blow the hot damp blast of his breath on your *medulla oblongata.*

I'm with Derb all the way in this row. His reaction is natural and pertinent. Phil Bailey's position in the Agency *obligates* him to a set of executive manners. Manners are something besides what you make etiquette books out of. Neck-breathing is not only lousy manners. It is cockroach morals.

Derby Thomas has a definite place in the Superb Appliance account—and he earned it. True, Phil Bailey was the heavyweight who closed the business and brought it in. But neither he, nor any of us, should forget that Derb was the one who found out that the lady was receiving callers and Derb was the one who stuck his foot in the door and held it open until Phil, the paralyzer, could make his entrance and act he head sheik.

Derb has never received any recognition for this whatever. He probably thinks he ought to have some, although he hasn't peeped to me. In the affairs of men there are just plain moments—and *psychological* moments. Now, in my opinion, is the psychological moment to poultice Derb with a little raise. It is in a fair deal of the cards and is wholly justified by business conscience.

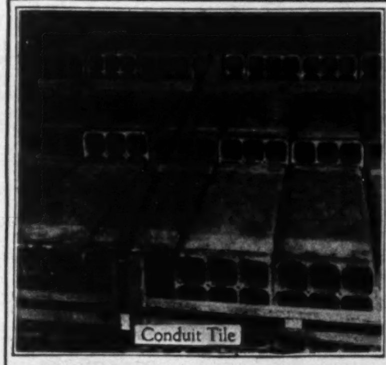
It also occurs to me that an additional reward would not be inappropriate, consisting of the benevolent gesture of taking one's knee off Derb's chest and giving him a chance to get his wind. I have pounded Derby pretty hard ever since he signed up with us. I know this idea of hammering a piece of steel into a keen, true sword-blade is a beautiful thought. But, as applied to human beings, I also know that too much hammering will produce a tin can.

As for Phil Bailey, he is rapidly distending into the varicose vein of the Agency. We may have to give him drastic treatment.

If you gather from this that my goat is gnawing at the rope you gather right.

Best regards,

JIM.



Conduit Tile

Radios

White Lead

Steel Tanks

ACME UNIT-LOAD

will reduce damage and save MONEY for YOU—

It is doing this—every day—for hundreds of carload shippers of over 117 widely different products, ranging from bath tubs to oleomargarine.

Whole industries are adopting Unit-Load. Fragile clay products such as enameled brick and tile, which long have been the despair of railroad freight claim departments, are being shipped with great success bound with Acme Unit-Load steel bands . . . Practically all the great transportation systems themselves use it at their own loading docks, and recommend its use to their patrons.

Savings in bracing costs effected on some types of loads are unbelievably large. A manufacturer of automobile motors saves $40.00 on every carload he ships. Acme Unit-Load saves one sheet steel manufacturer $80,000.00 a year in the cost of bracing material, labor and freight.

Let us know what you ship. We'll quickly tell you if Unit-Load is applicable to your product, and what you might expect to save through its use.

SAVE WITH STEEL

40

1880 ACME STEEL COMPANY 1930
OUR GOLDEN ANNIVERSARY

General Offices: 2832 Archer Avenue, Chicago. *Branches in Principal Cities*

THE BUSINESS WEEK

The Journal of Business News and Interpretation

October 22, 1930

The Fifth Horseman Rides

THE deflationists are in the saddle. The events of the past month have driven home the fact that they have now completely unhorsed not only the New Era enthusiasts of yesteryear, but the majority of the level-headed, intelligent business minds of the country. Though small in number, they have been powerful in influence, and thanks to the disorganization, inertia, lack of leadership, and ignorance of the far-reaching issues involved on the part of the business community, they now dare openly to challenge the forces of progress everywhere.

With the three largest banks lined up on their side—in expressed doctrine, if not in practical action—and with the Federal Reserve authorities standing idly by, it has become clear since the middle of September that what was a comparatively mild business recession during the first half of 1930 has now become a case of world-wide reckless deflation. When a governor of a Federal Reserve bank can stand up before a convention of investment bankers, condemn the American people for using automobiles, electric refrigerators, and radios, and proclaim that he does not agree with those who say that there must be no retrogression from present living standards in this country, we need no further sign of the arrogant self-assurance of the night-riders of defeatism.

This will be a bitter victory, and we wonder whether those who have led the war-dance of deflation will enjoy the consequences this winter. Some of them are showing signs of nervousness about the forces that they have let loose upon the world, and are beginning to counsel caution and restraint; but they should have thought about it a little more and a little earlier. For some reason, to this type of mind, inflation enjoys a monopoly of evil and sums up all the economic sins; deflation is altogether a good thing, and there can never be too much of it. It seems to be wholly forgotten that, while a measure of deflation may be necessary after a period of speculative excess, it is a process just as dangerous and calling for as vigilant control as its opposite.

The bitter-enders of deflation who are now in the saddle and are letting the horse run wild are as blind and bigoted as those who were proclaiming an era of permanent and unparalleled prosperity in 1929, and in many cases they are the same people. They forget that this depression takes place in a setting fundamentally different from any in the past. It has behind it the greatest war in world history, with all its consequences in the way of altered social psychology and profound changes in political and economic institutions in every country. They are attempting to cure with their deflation medicine a world not only vastly different from that of fifteen years ago, but one burdened with an unprecedented weight of international and internal debt. They are hoping, secretly or openly, to "liquidate" labor, forgetting that labor is no longer a commodity, but a social consciousness moulded by new standards of living and new aspirations.

They are fighting a losing battle. They may, at the cost of paralyzing investment confidence throughout the world, force it to repudiate its debt to the dead past, but they cannot force it to repudiate its debt to the living present. Though reckless deflation may cause inconceivable chaos and suffering, it will not turn the clock back, it will not make the world of modern science and industry retrace its steps, it will not be able to bury the constructive achievements of the past decade in the grave of "pre-war." The sooner the attempt is renounced the better.

Published weekly by the McGraw-Hill Publishing Company, Inc.
Tenth Avenue and 36th Street, New York. Tel. Medallion 0700.
Price 15 cents. Subscription rate, $5.00 a year; foreign, $6.00
Publishing Director, Jay E. Mason

Managing Editor, Marc A. Rose *News Editor,* Ralph B. Smith
Economist, Virgil Jordan *Art Director,* Perry Githens
Marketing, O. Fred Rost *Finance,* D. B. Woodward
Aviation, E. P. Warner *Industrial Production,* K. W. Stillman
Transportation and Utilities. Cameron A. Robertson
J. F. Chapman F. A. Huxley R. I. Carlson
Washington, Paul Wooton *Chicago,* John Millar
European News Director Elbert Baldwin
7 Boulevard Haussmann, Paris Cable address: Busweek, Paris